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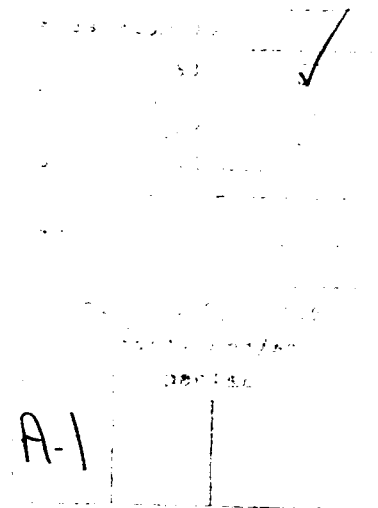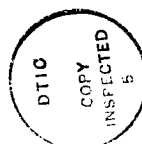
# Organizational Downsizing: Individual and Organizational Implications and Recommendations for Action

Steve W.J. Kozlowski, Georgia T. Chao, Eleanor M. Smith, Jennifer A. Heglund, and Pat M. Walz
Michigan State University

June 1991

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For this report, a review of the organizational literature was conducted to compile current research and applied knowledge relevant to personnel or work force reductions. The review was performed to develop a reference resource for managing U.S. Army force reductions. More than 300 case, research, conceptual, and prescriptive sources were examined and a conceptual framework was developed. Major topics include (1) environmental constraints, organizational retrenchment, and targets of downsizing; (2) downsizing strategies; and (3) transition management, and intervention processes. Following the review, researchers identified issues encountered during previous U.S. Army demobilizations. Finally, recommendations were developed that considered important themes from the organizational literature, tempered by the unique requirements pertinent to U.S. Army force reductions.

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June 1991

During the last decade, many civilian organizations have undergone organizational downsizing as a result of economic conditions, increased competition, or mergers and acquisitions. The U.S. military has also had to cope with downsizing and organizational restructuring. In 1990, Congress passed the National Defense Authorization Act for Fiscal Year 1991 (U.S. Public Law 101-510, 1990), which mandated personnel cuts for the Army. Although these numerical personnel targets have been delayed because of recent events related to Operational Desert Shield/Storm, downsizing is clearly a part of the Army's future and, in fact, has already begun.

To assist the Army in planning and implementing the required downsizing strategies, the U.S. Army Research Institute for the Behavioral and Social Sciences (ARI) arranged for Short-Term Analysis Service (STAS) through the Scientific Services Programs of the Army Research Office. This service involved a review of the organizational literature on downsizing, with Dr. Steve W.J. Kozlowski as the principal investigator. In addition to searching the organizational literature, Dr. Kozlowski contacted officers in the Directorate of Military Personnel Management (DMMP) of the Deputy Chief of Staff for Personnel (DCSPER) for information concerning Army plans for downsizing. The Army Career Alumni Program (ACAP) also provided information on plans for persons leaving the Army.

ARI has briefed the Director of Military Personnel Management and the Director of Human Resources on the project. In addition, Dr. Kozlowski presented a summary of his findings and their implications for the Army at a seminar at ARI that was well attended by both ARI and Army personnel.

EDGAR M. JOHNSON
Technical Director

## ACKNOWLEDGMENT

ORGANIZATIONAL DOWNSIZING: INDIVIDUAL AND
ORGANIZATIONAL IMPLICATIONS AND RECOMMENDATIONS FOR ACTION

EXECUTIVE SUMMARY
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## Requirement

Numerical personnel targets for the U.S. Army, mandated by the
National Defense Authorization Act for Fiscal Year 1991 (U.S. Public
Law 101-510, 1990), will necessitate a reduction in the size of the
in-state force. This reduction-in-force (RIF) differs from previous
demobilization experiences of the U.S. Army in several important ways.
Thus, it represents a unique situation for the all-volunteer force. A
review of the literature was conducted to identify lessons that can be
learned from the experiences of organizations that have recently
downsized through personnel reductions.

## Procedure

Literature pertaining to the phenomenon of organizational
downsizing was examined. Nearly 300 case studies, empirical articles,
and prescriptive papers were compiled for the review. The review is
organized into sections that each address distinct sets of substantive
issues. These sections include: the effects of environmental
contingencies, adaptive processes and stages of decline, and the
selection of downsizing targets; strategies and implementation tactics
that may be used to accomplish a reduction-in-force; and consideration
of the interventions that are used to manage the transition process.

Following the review of the organizational literature on
downsizing, a brief historical synopsis of military demobilization is
presented. Issues of relevance to current downsizing efforts are
identified to temper the recommendations that follow.

## Findings

### Environmental Constraints, Retrenchment, and Targets of Downsizing

The review begins with a consideration of environmental demands,
the nature of organizational responses, and their implications for the
targets of downsizing. Prevailing competitive and economic factors

that have worked to promote downsizing as an increasingly common organizational phenomenon are identified. The multiplicity of threats in the organizational environment require adaptive responses. Often, decline is threatened and downsizing becomes an appropriate response. Issues immediately arise as to the targets of downsizing; who and how many will be affected by the reduction-in-force? However, there are qualitative differences between proactive and reactive forms of adaptation to downsizing forces. Proactive adaptation implies anticipation of the downsizing response in advance of its implementation. It allows for longer time frames, more managed use of limited resources, and the use of future goals to plan the downsizing effort. Reactive adaptation results in a downsizing effort that must proceed in a limited time frame, with constricted resources, often with little thought to the goals or desired future state of the organization. The form of adaptation has clear implications for determination of downsizing targets, as well as for strategies and implementation tactics that may be employed. Case studies are used to illustrate this perspective. They highlight how advanced planning for downsizing can yield more positive results.

## Downsizing Strategies

The focus of this section is on downsizing strategies and their effects on individual and organizational outcomes. Different strategies for workforce reductions (e.g., attrition, voluntary RIF, mandatory RIF) are described and illustrated. The review indicates how strategies can be hierarchically arranged or sequenced with respect to their impacts on employee well-being versus short-term cost savings. The distinction between proactive and reactive downsizing relates to the use of strategies and sequences. Proaction allows strategies to be sequenced such that impacts on personnel can be minimized. It allows an incremental approach that can be adjusted to changing contingencies. Reaction, in contrast, must generally be driven by the generation of cost savings without regard to its longer term impacts on the organization. The review notes the distinction between survivors and terminated personnel, how this distinction relates to strategies, and, in particular, how it affects individual outcomes. That is, although most of the literature is focused on RIF strategies and their impacts on displaced personnel, the strategies are likely to have indirect effects on survivors as well. How terminated personnel are treated will provide an object lesson for those who remain. Moreover, several of the strategies directly impact on survivors in that one may survive, but with salient changes in status. Both these considerations have implications for individual outcomes (for survivors and displaced personnel) and for the future effectiveness of the organization.

## Transition Management and Intervention Processes

Although much of the organizational literature examines the direct effects of downsizing strategies on outcomes, there is a growing body of psychological literature that addresses the impact of interventions on outcomes. Several interventions are examined including financial incentives and benefits, outplacement, counseling, training, and communications. The review describes each intervention process and its variations, addresses any special considerations that should be noted, uses examples to illustrate the use of the intervention, and examines the evidence for its effectiveness. The applicability of the intervention for survivors, displaced personnel, or both is indicated. Parameters of well-managed interventions are highlighted and special difficulties are indicated. In addition, positive (and potential negative) outcomes associated with the interventions are identified.

## Personnel Demobilization in the U.S. Army

The review then addresses the special issues that need to be considered in the context of downsizing the military. An examination of previous U.S. Army demobilization experiences identified four key issues relevant to the current build-down effort: (1) Reduction-in-force plans should be coordinated with Army objectives for specific end-strengths. Previous demobilizations were conducted without clear articulation of the force composition and end-strength goals necessary to meet mission requirements. (2) Demobilization involves a significant public relations component. It is critical that the build-down be perceived as fair, humane, and equitable by the multiple constituencies (i.e., Army personnel, the public, unions, the media, Congress, and other government agencies) interested in the effort. Previous demobilizations were complicated by negative perceptions. (3) The nature of the build-down process can influence long-term relationships between the military and other government branches, particularly Congress. Negative perceptions of the downsizing process can generate external efforts to modify the build-down plan and process. (4) Force reduction plans should be consistent and fully communicated to commanders charged with the force reduction, as well as to all personnel directly or indirectly affected by the reduction. Negative perceptions, rumors, and protests during the demobilization following World War II were largely the result of poor and incomplete communication of the demobilization plan.

One final issue worth highlighting concerns the differences between previous demobilizations and the current downsizing process. Past demobilizations were primarily concerned with the separation of volunteers or draftees who joined the Army to defend this nation

during armed conflicts. Thus, all past demobilizations involved the separation of personnel who were eager to return to civilian status. In contrast, the present all-volunteer force was not drafted, was not recruited for a specific conflict, and is not by and large eager to establish civilian careers. The current build-down is unique because relatively large numbers of Army personnel will be separated prior to the time they had anticipated. This consideration makes careful management of the present build-down effort that much more critical.

Recommendations

The critical elements that determine the effectiveness of a downsizing effort include: (1) the extent to which the overall personnel plan accurately forecasts future military requirements, (2) the linkage of the overall personnel plan to specific downsizing targets to maintain an appropriate skill composition for the force, (3) the ability of the selected downsizing strategies to satisfy target end-strengths, and (4) the utility of transition interventions to minimize the negative effects of the force reduction on the individuals displaced by the process, as well as on those who remain in the organization. These elements are more likely to be accomplished when downsizing is managed proactively.

Less intrusive reduction strategies. Strategies should be sequenced or arranged such that those with the least negative impact on separated and surviving personnel are afforded priority. These strategies, which focus on managing personnel in-flows and out-flows, include natural attrition, reduced recruitment and accessions, and maximization of voluntary separations and early retirements.

More intrusive reduction strategies. When more intrusive approaches, such as involuntary separations, are utilized to meet end-strength goals, they must also be carefully managed to minimize negative impacts. In particular, the criteria for selection for involuntary separation must be clearly and widely communicated throughout the organization. Moreover, such reductions should target each cohort group once; repeated targeting is not advised.

Monitor and adjust strategies. The results of downsizing strategy implementations must be closely monitored. Predictions based on historical data are subject to error. The downsizing process itself may well affect individual decisions. Thus, the results of strategies must be continually monitored. Adjustments should be made based on feedback from actual personnel flows.

Interventions for separated personnel. Programs designed to ease the impacts of involuntary separations should be in place prior to the

implementation of downsizing strategies. Services need to be directed toward helping displaced individuals make the transition to a civilian career. Interventions to consider include separation pay and extended benefits, counseling for the individual and family, career counseling, job training assistance, and educational opportunities. Involuntary separation should be communicated with respect and compassion.

Interventions for retained personnel. Surviving personnel are also affected by downsizing. A critical aspect of managing the downsizing process is retaining the commitment, motivation, and involvement of survivors. They must be made aware of the programs provided in support of their separated colleagues. In addition, the Army must clearly communicate the career options and opportunities that remain available in the downsized force.

Communication. Clear, complete, and consistent communication is a critical aspect of downsizing management. Many of the problems identified in the literature and in previous demobilization efforts were the result of poor communication efforts. Communication is a multidimensional issue. Commanders tasked with implementing the build-down must fully understand the plan, the rationale, and the programs in place. Separated and surviving personnel must also have access to all relevant information. Finally, communication to external constituencies must be carefully addressed. Perceptions regarding the fairness and equity of the process will affect the image of the Army. The Army build-down will coincide with the downsizing of other military services, making comparisons inevitable.

Downsizing effectiveness. Retrenchment is a natural phase in the lifecycle of organizations. Perhaps nowhere else but the military is this most evident. Lessons learned from previous demobilizations have highlighted the need for proactive downsizing strategies. The use of downsizing strategies that are integrated with a well articulated personnel and human resources plan, support from intervention processes for separated and surviving personnel, and comprehensive communication will facilitate the build-down and yield an efficient and effective military force.


## Utilization of Findings

The recommendations developed through the review represent a compilation of the research and practical knowledge drawn from the organizational literature, tempered by the unique requirements associated with force reductions for the U.S. Army. The review and recommendations can serve as a reference resource for U.S. Army planners and policy-makers.

ORGANIZATIONAL DOWNSIZING: INDIVIDUAL AND
ORGANIZATIONAL IMPLICATIONS AND RECOMMENDATIONS FOR ACTION


CONTENTS _____

ORGANIZATIONAL DOWNSIZING:  INDIVIDUAL AND
ORGANIZATIONAL IMPLICATIONS AND RECOMMENDATIONS FOR ACTION


INTRODUCTION

Overview of Organizational Downsizing

The Downsizing Phenomenon

Many new terms have recently appeared in the organizational
literature to describe the phenomenon of workforce or personnel
reductions.  Among these are the terms reduction-in-force (RIF),
downsizing, build-down, right-sizing, demassing, transition
management, de-cruitment, deorganization, and many others.  The recent
salience of the downsizing phenomenon, evidenced by the appearance of
these new terms, appears to be based on the increased prevalence of
downsizing as a form of adaptation to environmental constraints
(Dougherty, 1989).  Over two decades ago, it was observed that
organizational environments were evolving to become increasingly
dynamic, with unpredictable shifts that would be threatening to the
equilibrium of organizations (Emery & Trist, 1965; Terreberry, 1968).
Global competition, technological innovation, political change,
resource scarcity, and shrinking revenues constitute merely some of
the environmental constraints that require an adaptive response by
organizations.  These constraints are likely to have impact on
organizations through economic pressures that require maintaining
performance with fewer resources:  material, personnel, and economic
(Tomasko, 1987).

Downsizing per se is not a new or unique phenomenon, although it
has typically been associated with economic contraction.  Workforce
reductions caused by economic depression and recession are well
documented (Tomasko, 1987).  Indeed, some industrial sectors (e.g.,
automotive) have historically experienced short-term cyclical economic
downturns and adapt, in part, through temporary workforce reductions
(Feldman, 1988a, 1988b).  Moreover, organization theory recognizes
that downsizing may be a normative process -- creation, growth,
decline, and possibly death are all part of the organizational
lifecycle (Sutton, 1987; Whetten, 1980).

Certain issues tend to distinguish more recent perspectives on
downsizing from earlier points of view.  For example, the targets of
RIF have expanded to include levels of management.  Downsizing is not
necessarily limited to the lowest levels of the organization -- direct
production workers -- or to specific sites -- regions, divisions, or
plant locations.  Middle levels of management and corporate staffs are

1

often targeted for reduction. In addition, the antecedents of downsizing are not necessarily limited to simple reactions to economic pressures. Downsizing may occur as a strategic, proactive response designed to improve organizational effectiveness (Tomasko, 1987). This may involve mergers, acquisitions, sell-offs, or restructuring to better enable the organization to meet its mission or fill an environmental niche (Dougherty, 1989). Part of this sort of transition may involve reductions in layers of management with the intention of facilitating information processing, pushing decision making closer to the origin of problems, and improving the flexibility and responsiveness of the organization (Tomasko, 1987).

## Problems Researching Downsizing

There are several problems that make the downsizing phenomenon difficult to study. The phenomenon appears to have multiple, overlapping, and simultaneous *antecedents* arising from the organizational environment. Downsizing as a form of adaptation may be *reactive* or *proactive* in nature. When constraints simply force a reduction-in-force with little or no planning, the response is reactive. When proactive, downsizing may be designed to carefully maintain or even enhance the mix and configuration of capabilities necessary for the organization to meet its mission. The downsizing process can include a variety of different *targets* (direct workers, levels of management, regions, locations, etc.) that vary in scope and proximity. Different combinations of downsizing *strategies*, such as attrition, early retirements, or involuntary layoffs, can be used to accomplish a RIF. Finally, a variety of *interventions* -- transition management processes that include outplacement, counseling, communication, retraining, etc. -- can be employed in an effort to manage the impact of this difficult event on the organization, its surviving members, and those who leave.

The complexity of the downsizing phenomenon has tended to foster multidisciplinary study. Different aspects of downsizing have been addressed by the disciplines of sociology, labor economics, organizational theory, management, organizational psychology, psychological counseling, and mental health, among others. This diversity means that outcomes of the downsizing process that have been examined are also wide-ranging and multifaceted. From a conceptual perspective, outcomes can address the community (the larger system within which the organization in embedded), the organization, or the individual levels.

2

## Focus of the Review

This literature review focuses on downsizing and its effects on the organization and the individual. Community issues are addressed, when appropriate, from this perspective. Most of the literature examining the effects or outcomes of downsizing has addressed the individual level. This review will reflect that emphasis. The individual level can be further distinguished in terms of impacts on survivors, those who remain following downsizing, and on those who are relinquished due to a RIF. Survivor reactions and morale following a RIF have relatively clear implications for organizational effectiveness. The effects of downsizing on those who are terminated or "RIFed" are well documented at the individual level; impacts on the organization are less clear. Although there are obvious and clearly distinguishable individual outcomes for survivors and terminated personnel, the impact of these individual outcomes on organizational effectiveness are more complex. In particular, the treatment (i.e., the intervention process) accorded those who are terminated is likely to have impacts not only on those leaving, but also on the survivors who vicariously observe the downsizing process. Ultimately, these effects are likely to aggregate to the organizational level and will likely influence effectiveness (Greenhalgh, 1983).

Thus, the way downsizing is managed is of critical importance to organizational adaptation and future functioning. A central objective of this review is to develop recommendations informed by the literature as to how the process may be effectively managed, given the many problems that make it complex and uncertain.

## Selection of the Literature

### Constraints

An examination of the downsizing phenomenon through the literature presents two significant difficulties. First, because multiple disciplines have been involved in the examination of downsizing, there is an exceptionally diverse literature as each discipline has endeavored to understand different aspects of the process. This diversity means that no commonly accepted terminology or language has developed to describe the phenomenon, nor is there a clear consensus across disciplinary perspectives on a conceptual framework. Some convergence is evidenced, however, among the organizational theory, organizational psychology, and management literatures; they serve as the primary sources for review material. Second, most of the knowledge about the phenomenon is anecdotal and case based; there is little solid empirical research. Cases incorporate multiple antecedents, targets, strategies, interventions,

and outcomes making it difficult to identify generalizable conclusions from such data. However, more confidence can be placed in conclusions drawn from findings that evidence convergence across cases.

## Search Strategies

Two literature search strategies were employed to identify specific literature sources for the review: a search of computerized databases and a manual or "backward" search of relevant source reference lists. The primary computer databases utilized in the search included ABI/INFORM, PsycINFO, SOCIOLOGICAL ABSTRACTS, NTIS, and DTIC. Two other databases were also accessed. However, initial source material generated by MANAGEMENT CONTENTS (see NTIS, 1986) and ERIC overlapped with sources obtained from the primary databases to a substantial degree and were not utilized thereafter.

The computerized search focused on literature generated since 1980, as this generally marked the rise in interest in downsizing as a area of study (Arvey & Jones, 1982; Cameron, Sutton, & Whetten, 1988; Cameron & Zammuto, 1984; Whetten, 1980; Zamutto & Cameron, 1985). The search was not explicitly limited to that time frame. In practice, however, very few relevant articles were identified that were generated prior to the target date.

The "backward" strategy used scholarly conceptual papers and solid empirical articles identified through the computerized search as a starting point and traced relevant literature backward through an examination of source reference lists. This procedure was used to help ensure that no relevant empirical research was overlooked.

## Inclusion Decisions

The general types of downsizing source material identified by the search procedures were first sampled and content analyzed. A classification of source types was then developed to determine inclusion in the review. Source categories marked for automatic selection included: (a) conceptual or theoretical articles; (b) empirical, quantitative research; and (c) empirical, qualitative studies (case studies, interviews), especially those addressing actual organizations, the military, or U.S. Government Agencies.

In addition, a wide variety of qualitative source material that could be categorized as "prescriptive" was also encountered. This material usually appeared in books, specialty publications, and technical or agency reports and typically recommended the steps, procedures, or interventions that should be used during downsizing. In practice, it was often difficult to determine whether the

4

prescriptive advice was based on actual experience or represented conjecture. Nevertheless, prescriptive sources were included in the review to ensure that potentially important information was not lost. However, these sources are cited in the review when the advice is consistent with other more credible findings.

This search strategy was designed to capture a diverse representation of pertinent downsizing literature. In all, nearly 300 sources addressing various aspects of the downsizing phenomenon were selected, examined, and abstracted for the review. Although the procedure was not explicitly intended to be exhaustive, it is unlikely that any uniquely important information has been excluded.

## Organization of the Review

### Conceptual Framework

The review has been structured to explicate key substantive topics relevant to the downsizing phenomenon. The diversity of literature characterizing downsizing necessitated the development of a conceptual framework as a means to organize topics and issues identified in the literature. The conceptual framework should not be mistaken as a causal model of the downsizing phenomenon; it is an heuristic. The function of the framework is to identify issues present in the literature, illustrate linkages among issues, and provide a basis for drawing implications for organizational and individual impacts.

The conceptual framework is illustrated in Figure 1. Topics incorporated in the model move from more macro organization issues to more micro issues with impacts on individuals. Conceptual relations or linkages among the topics are illustrated by arrows. The review is organized into sections that each address distinct sets of conceptual issues. These sections include: the effects of environmental contingencies, adaptive processes and stages of decline, and the selection of downsizing targets; strategies and implementation tactics that may be used to accomplish reductions-in-force; and consideration of the interventions that are used to manage the transition process.

Following the review of the organizational literature on downsizing, a brief historical synopsis of military demobilization is presented. Issues that may be of relevance to current downsizing efforts are identified. These issues serve to temper the recommendations that may be drawn from the organizational downsizing literature review. Recommendations comprise the last section of the report.
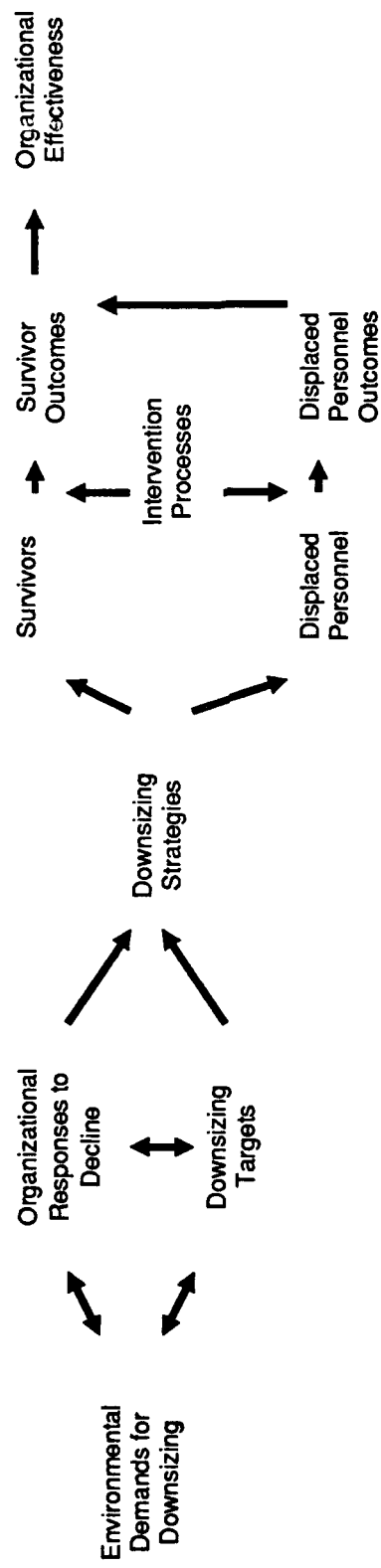
Figure 1. Conceptual Model of Organizational Downsizing.

6

Although the topics addressed in the following sections are conceptually distinct, they also evidence some overlap. This is unavoidable, given the diversity of the literature that comprises the review. This is reflected in the structure of the report; each section has been devised to be relatively self-contained. That is, with background from the brief overview that follows, it is possible for the reader to focus on pertinent sections without the necessity of reading the entire report. The review will be most informative, however, if it is considered intact. A brief description of each of the sections comprising the report follows.

## Environmental Constraints, Organizational Retrenchment, and Targets of Downsizing

The review begins with a consideration of environmental demands, the nature of organizational responses, and their implications for the targets of downsizing. Prevailing factors that have worked to promote downsizing as an increasingly common organizational phenomenon are identified. The multiplicity of threats in the organizational environment require adaptive responses. Often, decline is threatened and downsizing becomes an appropriate response. Issues immediately arise as to the targets of downsizing; who and how many will be affected by the RIF? However, there are qualitative differences between proactive and reactive forms of adaptation to downsizing forces. Proactive adaptation implies anticipation of the downsizing response in advance of its implementation. It allows for longer time frames, more managed use of limited resources, and the use of future goals to plan the downsizing effort. Reactive adaptation results in a downsizing effort that must proceed in a limited time frame, with constricted resources, often with little thought to the goals or desired future state of the organization. This has clear implications for determination of downsizing targets, as well as for strategies and implementation tactics that may be employed. Case studies are used to illustrate this perspective. They highlight how advanced planning for downsizing can yield more positive results.

## Downsizing Strategies

The focus of this section is on downsizing strategies and their effects on individual and organizational outcomes. Different strategies for workforce reductions (e.g., attrition, voluntary RIF, mandatory RIF) are described and illustrated. The review indicates how strategies can be hierarchically arranged or sequenced with respect to their impacts on employee well being versus sort-term cost savings. The distinction between proactive and reactive downsizing relates to the use of strategies and sequences. Proaction allows strategies to be sequenced such that impacts on personnel can be

minimized. It allows an incremental approach that can be adjusted to changing contingencies. Reaction, in contrast, must generally be driven by the generation of cost savings without regard to its longer term impacts on the organization. The review notes the distinction between survivors and RIF personnel, how this distinction relates to strategies, and, in particular, how it affects individual outcomes. That is, although most of the literature is focused on RIF strategies and their impacts on terminated personnel, the strategies are likely to have indirect effects on survivors as well. How RIF personnel are treated will provide an object lesson for those who remain. Moreover, several of the strategies directly impact on survivors in that one may survive, but with salient changes in status. Both these considerations have implications for individual outcomes (for survivors and RIF personnel) and for the future effectiveness of the organization.

## Transition Management and Intervention Processes

Although much of the organizational literature examines the direct effects of downsizing strategies on outcomes, there is a growing body of psychological literature that addresses the impact of interventions on outcomes. Several interventions are examined including financial incentives and benefits, outplacement, counseling, training, and communications. The review describes each intervention process and its variations, addresses any special considerations that should be noted, uses examples to illustrate the use of the intervention, and examines the evidence for its effectiveness. The applicability of the intervention for survivors, RIF personnel, or both is indicated. Parameters of well-managed interventions are highlighted and special difficulties are indicated. In addition, positive (and potential negative) outcomes associated with the interventions are identified.

## Personnel Demobilization in the U.S. Army

The focus of the review then shifts to address the special issues that need to be considered in the context of downsizing the military. Lessons that can be learned from previous demobilizations are delineated. Differences between demobilization and downsizing processes are drawn. This section serves to provide some focus for the recommendations that follow.

## Recommendations

This section is guided by the conceptual framework that served to organize the organizational literature and the themes or findings relevant to each section, but is tempered by the special

considerations of military downsizing. Recommendations relating to organizational level issues are consistent with the themes of proaction vs. reaction, decision criteria that affect targets, and impacts on the selection of downsizing strategies. Recommendations for the use of strategies are similarly tempered by consideration of proaction vs. reaction and anticipated impacts on survivors versus RIF personnel. Finally, the section highlights the expected benefits of the various intervention processes on survivors, RIF personnel, and the organization.

ENVIRONMENTAL CONSTRAINTS, ORGANIZATIONAL RETRENCHMENT,
AND TARGETS OF DOWNSIZING

## Environmental Constraints

Contemporary theory adopts the perspective that organizations are
open systems in exchange with relevant sectors of their external
environments (Katz & Kahn, 1978; Thompson, 1967). Central to this
systems or contingency theory perspective is the concept of
adaptation. The particular goal or mission of an organization
implicates specific sectors or domains of an environment that are
relevant to the organization's input and output transactions (Downey &
Slocum, 1975; Lawrence & Lorsch, 1967; Miles, Snow, Meyer, & Coleman,
1978). For manufacturing firms, these sectors include product and
market domains, technologies, and competitor actions, as well as
general economic conditions. In contrast, the domains for public
sector institutions include supporting constituencies, services, and
client needs. To the extent that relevant sectors of the
organizational environment are in a state of flux -- either
incremental and evolutionary or characterized by radical, disjunctive
shifts (Zammuto & Cameron, 1985) -- adaptation will be required. The
adaptive process addresses the alignment between external constraints
and internal processes that are necessary for the maintenance of
equilibrium and organizational effectiveness.

Most of this theory and research has focused on the adaptive
responses employed to maintain or enhance organizational growth
(Cameron & Zammuto, 1984; Whetten, 1980). Some two decades ago,
however, it was noted that organizational environments were evolving
and would become increasingly complex, unpredictable, and threatening
(Emery & Trist, 1965; Terreberry, 1968), necessitating vigilance and
proactive forms of adaptation. As these predictions have been
realized, the last decade has witnessed the emergence of interest in
organizational retrenchment, decline, and dissolution (Cameron &
Zammuto, 1984; Zammuto & Cameron, 1985; Whetten, 1980). This shift in
theoretical emphasis from growth to decline has focused attention on
processes related to reductions in size as an appropriate form of
adaptation to environmental threat. The phenomenon of downsizing will
be considered in this context.

10

Retrenchment, Decline, and Adaptation

## Antecedents of Retrenchment

Although there are a multitude of environmental factors that may initiate retrenchment as an adaptive process, certain themes are recurrent in the literature. These themes include strategic issues, the effects of competition and reduced demand, and economic pressures or cutbacks. These factors are not independent; ultimately, all antecedents are likely to generate adverse economic pressures.

Strategic concerns are generally represented by mergers or acquisitions, as organizations attempt to shift domains (Cortes-Cormerer, 1986), acquire expertise or fend-off takeovers (Hirsch, 1987), and realign with environmental contingencies (Appelbaum, Simpson, & Shapiro, 1987). Merger and acquisition has become a prevalent activity. Dull (1986) estimated that there would be over 3400 mergers, affecting over 800,000 employees, in the banking industry alone by 1990. In many cases, mergers represent a growth strategy (Mitchell, 1988), although acquisitions often result in redundant businesses, facilities, and employees (Franzem, 1987; Matte, 1988; Mitchell, 1988). In other instances, the organization may pursue a strategy that is designed to shift its mission and environmental alignment. Such restructuring necessitates the sell-off of businesses that no longer fit the desired mission (Cortes-Cormerer, 1986; Debow, 1987; Dougherty, 1989; Frank, 1985).

More frequently, retrenchment is linked to decreased demand for a product or service and to competition in the marketplace (Appelbaum, et al., 1987; Brandt, 1985; Cornfield, 1983; Fraze, 1988; Garry & Votapka, 1990; Ropp, 1987). Moreover, competitive pressures have become global in nature (e.g., Kleinschrod, 1986) as environment turbulence has increased world-wide (Terreberry, 1968). This has been especially problematic for more mature durable goods industries such as appliances (Cortes-Cormerer, 1986; Debow, 1987) or automobiles (Feldman, 1988a, 1988b). These competitive difficulties are often exacerbated by aging plants and production technologies (Kleinschrod, 1986; Taber, Walsh, & Cooke, 1979), as competitors bring advanced manufacturing systems on line (Cornfield, 1983; Kozlowski & Hattrup, 1990). Competitive pressures, however, are not limited to manufacturing industries. Services are also affected. Deregulation of the airline industry, for example, has created profound competition with turbulence characterized by mergers and acquisitions, restructuring, downsizing, and dissolution (e.g., Kolcum, 1988).

All these factors ultimately have an influence on the financial health of affected organizations (Feldman, 1988b; Murray, 1987; Rubin,

11

1977; Sutton, Eisenhardt, & Jucker, 1985; Stearns & Blazey, 1989; Wolff, 1989). Although public sector institutions are not directly affected by strategies, competition, or the marketplace, these factors affect the health of the general economy. Thus, public sector institutions have not been immune to the pressures to retrench. The economic recession of the early 1980's and eroding public support for "big government" have resulted in budgetary cutbacks (Bureau of National Affairs, 1982). These cutbacks have been applied at the federal (Bureau of National Affairs, 1982; U.S. General Accounting Office, 1978, 1983), including the military (Colvard, 1986; Grier, 1990), state (Carney, 1987; Greenhalgh, 1982), and local levels (Bureau of National Affairs, 1982). Deficits and cutbacks have even forced not-for-profit organizations to retrench and redirect their activities (Woolard, 1986). Indeed, retrenchment and downsizing have become such pervasive and prevalent activities that theorists now regard these processes as a normal part of the life cycle of organizations (Cameron & Whetten, 1981; Zammuto & Cameron, 1985).

## Models of Decline and Adaptation

### Growth versus Decline

Prior to the last decade, organization theory was predicated on the assumption that organizations tend toward expansion. Growth was equated with successful adaptation, increasing size, and effectiveness (Whetten, 1980). Larger organizations were thought to be more efficient and better capable of absorbing the shocks of environmental turbulence. This preoccupation with growth led to a failure of many organizations to respond to indicators of decline.

The emergence of decline as a pervasive and prevalent process has generated interest in its dynamics and in methods to effectively manage its effects. This increased salience of decline as a phenomenon has provided researchers with access to organizations undergoing retrenchment. However, given the preoccupation with growth, theories and models of decline have only recently begun to appear in the literature. The models attempt to explicate different aspects of the decline process including: (a) the role of decline in the normative life cycle of organizations (Cameron & Whetten, 1981); (b) the underlying antecedent conditions and adaptive responses (Cameron & Zammuto, 1984; Murray & Jick, 1985; Weitzel & Jonsson, 1989; Zammuto & Cameron, 1985); (c) the effects on individuals (Caplan, Vinokur, Price, & van Ryn, 1989; Greenhalgh, 1983; Greenhalgh, Lawrence, & Sutton, 1988; Latack & Dozier, 1986; Sutton & D'Aunno, 1989); and (d) organizational dissolution and death (Sutton, 1983, 1987). Issues relating to adaptive responses by the organization are most pertinent for the present discussion; effects on

12

individuals are addressed in succeeding sections. Issues relating to organizational life cycles and death are regarded as peripheral to the focus of this review and are not considered further.

## Adaptive Responses

Two underlying dimensions of environmental turbulence have been proposed to account for adaptive responses under decline conditions (Cameron & Zammuto, 1984; Zammuto & Cameron, 1985). One dimension references the extent to which the environment supports organizational activities. This refers to reductions in demand for a product or service, as well as to a changing preference by the market for the type of product or service offered. The second dimension references the nature of environmental change. This refers to whether change is continuous or discontinuous. Underlying adaptive responses to these environmental dimensions depend on the extent to which the organization did or did not anticipate the nature of change. Thus, organizational responses to decline conditions can assume proactive or more reactive orientations (Zammuto & Cameron, 1985).

The form of adaptation -- proactive versus reactive -- is a critical conceptual issue in that it has implications for the selection of downsizing targets, the use of different downsizing strategies, and the effects on individuals and the organization. Early indicators of environmental change are often missed or ignored, as organizations tend to persist with habitual responses in the face of change (Miles et al., 1978; Nystrom & Starbuck, 1984). Even when the necessity for adaptation is recognized, there is a tendency for it to be incremental in nature when more radical restructuring is required (Tushman, Newman, & Romanelli, 1986). Thus, organizations often fail to respond adaptively in the early stages of the decline cycle (Weitzel & Jonsson, 1989).

Under conditions of decline, proactive adaptation is associated with efforts to scan the environment, anticipate downsizing as an appropriate response, and carefully plan downsizing strategies to maximize organizational effectiveness. Because adaptation begins early in the decline process, the organization has more time to plan, the opportunity to consider future goals, the capability to select appropriate strategies, and the potential to allocate resources to management of the process. In contrast, reactive responses are associated with the failure to scan, the disregard of warning signals, or the effect of unanticipated shifts. This tends to shorten the time frame for adaptation and makes it less likely that future goals, well-planned strategies, or resources will be incorporated in the downsizing process. The reactive approach is less likely to result in successful adaptation.

13

This conceptual perspective is illustrated by the Weitzel and Jonsson (1989) model of decline. Their model identifies five stages; failure to act appropriately at each stage causes further decline. In the initial *blinded stage* the organization has failed to scan the environment and lacks internal surveillance mechanisms. The *inaction stage* involves misinterpretation of available information; a "wait and see" attitude toward environmental threats. Here the organization interprets the condition to be temporary; action may not be necessary. During this inactive period, the situation is likely to worsen such that more extreme responses will become necessary. The potential to proactively plan an appropriate response exists during these initial stages. Sufficient time and resources are available for conducting a more thorough evaluation of the organization's situation and to plan appropriate adaptive actions. However, the opportunity to implement a carefully considered response diminishes as action is delayed.

The next two stages lead the organization into a more reactive response orientation. Having failed to adjust to environmental change, the organization enters the *faulty action stage*. At this point, damage has been caused. In determining a response, the orientation tends to take on a short-term focus on how the situation can be rectified immediately. The *crisis stage* represents the last chance for the organization to save itself from dissolution, but it must make revolutionary changes. For an organization where downsizing is seen as an appropriate response to decline, the crisis stage would likely result in a sudden, drastic, and ill-planned reduction in the work force. The reactive nature of this response would allow for little evaluation or consistency with long-term goals.

The final stage of the decline model is *dissolution*. This is an irreversible decline where no adaptation, no matter how extreme, will save the organization. Clearly, as organizations progress through these stages more and more drastic measures are required to regain equilibrium. The further the progression of the decline process, the more likely that adaptation will be of a reactive nature.

The acceptance of decline as a normative organizational process has brought increasing attention to forms of adaptation. Organizations at different stages of decline may exhibit different adaptive responses. The form of adaptation affects the extent to which targets of retrenchment are intentionally selected or chosen in a less rational fashion. The term target implies that jobs, departments, or locations are purposefully selected for reduction. Although the object of downsizing does not always involve a rational choice, the term target will be used here to identify the general selection of jobs and their occupants for reduction. Three types of

targets will be discussed in the following section which exhibit the characteristics of rational or less carefully considered selection decisions.

## Targets of Downsizing

Targets of downsizing refer to who is targeted for force reductions, how many individuals are affected, and what their distribution is across the organization. *Target functions* or *positions* refer to specific positions, departments or levels, or individuals who are dismissed, usually based on an evaluation of organizational needs. This type of target decision usually involves more precision than other types. It also implies that a rationale existed for selection of the specific targets. *Across-the-board* downsizing involves relatively even cuts made throughout the organization, usually based on a particular percentage of the workforce. These reductions are generally made when immediate cost savings are important to stem decline. Since immediate action needs to be taken, the criteria used for selecting the targets are much simpler and often less rational. *Target locations* refer to the mass reduction of employees at a site, usually a plant closing, although it may also involve closing a corporate headquarters. Plant closings can range from carefully planned strategic moves to more reactive responses. Locations are distinguished from the other target decisions in that they have more serious impacts on surrounding communities. Any of these targets may be selected as part of proactive or reactive forms of adaptation, although there tends to be some relationship between the amount of planning and the types of targets selected for downsizing.

## Forms of Adaptation

It was noted previously that retrenchment can be managed under proactive or reactive response modes. The distinguishing features of these different approaches involve: (a) the time frame for managing downsizing processes, (b) the degree to which long-term goals can be incorporated in the planning, (c) the range of alternative strategies that can be considered, (d) the types of target selection criteria that can be employed, and (e) the resources available to implement the process. In general, proactive retrenchment provides the organization with more flexibility during the process and enhances the likelihood that decline can be resolved. Reactive forms of retrenchment are more likely to be associated with further passage through the stages of decline and dissolution (Sutton, 1983, 1987; Weitzel & Jonsson, 1989).

15

## Proactive Forms of Adaptation

Proactive forms of adaptation increase the amount of time available for evaluating where reductions should be made. They allow incorporation of long-term organizational objectives in consideration of how downsizing can be best conducted to achieve those objectives. Planning may lead to identification of alternatives to layoffs for selected employees. If the situation is temporary, employees may be loaned out until they are needed in the future. For example, Mary Kay Cosmetics loaned out manufacturing workers when it experienced a short-term decline in sales (Halcrow, 1985). Alternatively, there may be other internal positions in the organization which targeted employees could fill. Social workers were transferred to nonprofessional jobs, where a need existed for administrative and clerical workers (Schlenker & Gutek, 1987). Instead of dismissing these employees, they were reassigned to short-staffed positions.

Proaction allows the application of more rational criteria to make target decisions. For example, an organization may conduct an evaluation to determine which departments have low productivity levels, which jobs are redundant or obsolete, or which functions can be eliminated with the least damage to organizational functioning. When deciding to eliminate redundant positions, the organization can determine which employees fit the criterion of performing redundant activities. It is then possible to apply additional criteria, such as employee quality or performance, in the selection of specific targets. Resources and time are more available which enable the organization to conduct the careful and thorough evaluation needed to make more rational target decisions and to implement well-planned reduction strategies.

## Reactive Forms of Adaptation

Reactive adaptation involves less time to evaluate the situation and plan appropriate action. Decline is more often further advanced, necessitating a focus on short-term goals. Typically, this means generating immediate cost savings. An organization in the later stages of decline (Weitzel & Jonsson, 1989) will require more rapid and drastic responses to halt the process. It is likely to be faced with severe financial difficulty and may need to make immediate personnel cuts (Murray & Jick, 1985). It has no opportunity to consider alternative strategies. Instead, reductions will be made using simplistic decision criteria. In general, these criteria are less rational and goal-directed than for proactive target decisions. Finally, reactive adaptation is associated with fewer resources. This could limit target decisions and the ability to aid employees affected by the downsizing process.

16

Each of the targets of downsizing involves unique issues. Target functions and positions are more likely to involve advanced planning. These plans must be clear and members of the organization must believe that the selection criteria used are rational and contribute to the organization's goals. Across-the-board downsizing is more likely to be the result of a reactive form of adaptation. However, evenly distributed cuts may be intended to distribute the impacts equitably across the organization. An organization's reasons for cutting across-the-board should be clearly communicated to employees (Carney, 1987). The process should also involve a single implementation to reduce impacts on survivors' morale (Tushman et al., 1986). Target locations can be the result of either a proactive or reactive form of adaptation. Organizational strategies may lead to the decision to target a location or the decision may be driven by simple economics. Target locations are unique in that they are more likely to be associated with union and advance notification issues, and to have greater impacts on communities.

Information regarding the target of a workforce reduction is often neglected in the downsizing literature. The target represents a general decision to select certain positions, levels, or locations. It does not convey information concerning how downsizing is accomplished. Case studies of downsizing are often not clear as to the environmental conditions preceding the decision to downsize, nor are they clear as to the extent to which an organization responded reactively or proactively. However, case studies can illustrate the issues regarding adaptation discussed above. The form of adaptation is inferred from information about the amount of planning, the goals, the evaluation of alternatives, the decision criteria, and the resources involved. The identification of these issues will provide a means for better understanding the effects of these factors when they are considered later in the discussion of downsizing strategies.

## Target Functions and Positions

The decision to target certain functions or positions is generally associated with greater time for planning and evaluation and the use of long-term goals for guiding selection decisions. Functions or positions can be selected to best fit an organization's strategy. An evaluation may reveal that certain departments have low productivity levels, or that certain functions are redundant. If an organization's strategy is to be efficient, it may decide to downsize those departments or functions. Proactive adaptation allows organizations to develop complex criteria for deciding which positions, functions, or departments to downsize. When an

17

organization takes action before it is forced, it will likely have greater resources to conduct a thorough evaluation of its situation.

## Selecting Functions and Positions

Functions or positions may be targeted for a number of reasons. Some environmental conditions directly affect certain types of jobs. For example, automated technology tends to reduce the need for low-skill manual workers. In proactive adaptation, organizations evaluate how their needs have been affected by environmental conditions and make reductions to realign their workforce with the new situation. In other instances, organizations may have strategic plans for aligning their operations with the environment. These plans may involve downsizing certain positions or functions in order to improve efficiency or productivity. Layers of management may be cut to improve the efficiency of decision making. Finally, some organizations reactively adapt to environmental threats by hastily targeting positions or functions before they have determined their needs. This will most likely have negative outcomes for the organizations and individuals.

Targets affected by environmental conditions. Specific environmental threats affect certain types of jobs. Cornfield (1983) identified proximity to operations and amount of discretion as two dimensions which may be affected by certain environmental conditions. Direct jobs are those that pertain specifically to the output or service (i.e., manufacturing, social workers), whereas indirect jobs refer to the administrative and support staff (i.e., secretarial, financial, personnel positions). The discretionary dimension refers to the amount of problem solving and decision making required by the job. Administrative, managerial, and professional jobs involve more discretion than clerical, manufacturing, and production jobs.

Cornfield examined a company that experienced a decline in market share and profitability along with the implementation of advanced, automated technology systems. As a result of these conditions, the company permanently laid off 11 percent of its employees through voluntary procedures. The decline in product demand was related to cuts of direct-labor jobs, whereas the adoption of labor-saving technology was associated with layoffs in nondiscretionary jobs. Cornfield concluded that for these conditions, employees whose jobs did not pertain directly to production of output were less likely to be laid off. This conclusion may not apply to all situations where similar changes have occurred. However, it suggests that the target decision may be constrained by the type of change experienced by the organization.

18

Criteria for identifying the target. Functions or positions are usually targeted as a result of an organizational evaluation to determine its current and future needs. Some functions may be more critical to the workflow than others. For example, a hospital was experiencing a decline in the demand for its services (Mullaney, 1989), which led to a decision to reduce personnel. The hospital considered different target options and determined that across-the-board downsizing was not feasible because certain services could not risk being understaffed. Patient care and the future reputation of the hospital would be jeopardized if personnel were drastically reduced. The hospital established a Personnel Management Committee to develop and implement the overall reduction plan. Managers were requested to examine their departmental staffing patterns and corresponding work volume to determine where inefficiencies existed. The information obtained was used to compare the hospital's productivity and staffing patterns with industry norms. This evaluation developed criteria to guide the staffing decisions. Thorough performance evaluations were conducted for each employee, allowing the hospital to justify later reductions on the basis of performance. Finally, the committee reviewed jobs to determine where the elimination of services could be made without affecting physicians' abilities to meet patient needs. Numerous criteria were used in this hospital's target decision. As a result, functions and positions were chosen carefully to increase efficiency, while also continuing to meet crucial needs.

An organization's culture and value system may lead to additional criteria affecting target decisions. The importance of maintaining the culture of an organization will influence its concerns about the effects of downsizing on employees. An organization concerned with maintaining morale, commitment, and effectiveness may attempt less drastic downsizing before more extreme actions. Voluntary separations may be encouraged, eliminating the need for involuntary dismissals. IBM's value of "respect for the individual" has led to its practice of providing full employment (Greenhalgh, McKersie & Gilkey, 1985) -- IBM has not used layoffs as a downsizing strategy. When it needed to reduced the proportion of indirect to direct workers, IBM ranked the possible reduction strategies from least to most drastic. This process allowed the identification of alternatives to layoffs, such as transfers and early retirement. The company offered to transfer employees to lower level positions and to different locations. Normal attrition and early retirements accounted for the rest of the reduction of indirect workers. No involuntary separations were required by this process.

Strategic alignment. Proactive planning implies that the organization has a strategy for maintaining alignment with its

environment. A structural or procedural change may be required to achieve this alignment. These transformations may result in the obsolescence or redundancy of certain functions, positions, or skills (Benson, 1990b). An organization's strategy may be to increase its competitiveness. To achieve this objective, the organization must develop rational and goal-directed criteria for targeting jobs. An IBM manufacturing plant wanted to remain competitive with Japanese manufacturers (Greenhalgh et al., 1985). Its strategy was to reduce the proportion of indirect to direct workers in order to increase the efficiency of production. The company made clear to its employees that in order to achieve its goal of becoming more competitive, indirect, nonmanufacturing positions would have to make the most sacrifices.

Removing levels from an organization may be part of an alignment strategy (e.g., Nelson, 1988). This often involves the lay-off of middle managers ("The growing pains," 1985; Imberman, 1989; Zemke, 1985, 1988). Perkin Elmer dismissed 200 middle managers in order to centralize the organization's structure. Restructuring at IBM led to the elimination of 50,000 indirect, managerial and executive jobs and the creation of 30,000 direct jobs in sales, service, and programming (Sheridan, 1988). Exxon decided to focus on efficiency in order to save money (Byrne, 1988b). To accomplish this goal, it combined regional subsidiaries and removed a layer of management. Executives and upper level managers were targeted in this downsizing. In order to stay with the company, employees had to fill positions two to three levels lower than their previous jobs. Of 10,000 executive and middle managers whose jobs were eliminated, 3,000 were reassigned to new positions. The remainder left the organization.

Reactive adaptation. When an organization responds to an environmental threat reactively, it is likely to use simpler criteria for deciding where and how reductions should be made. In this case, it is less likely that specific functions or positions will be selected with future goals or criteria guiding the decisions. When functions are chosen in a reactive approach, short-term cost savings will often be the main decision criterion (Garry & Votapka, 1990). A Japanese semiconductor corporation targeted marketing, sales, and engineering jobs in what human resource analysts described as a "slash and burn" strategy to cut 28 percent of the workforce. Disagreement existed between former employees and company officials as to the cause of the downsizing. This reflected a general uncertainty concerning the impacts these cutbacks would have on future operations and led to a fear that the organization faced further decline. The U.S. Office of Personnel Management lost expertise in several areas after it made necessary workforce reductions. Some employees were returned to their old jobs to complete projects or train replacements (U.S. General

Accounting Office, 1983). Numerous costly reorganizations became necessary following this retrenchment.

In another example of reactive retrenchment, the union intervened to force a reevaluation of the situation (Imberman, 1989). This organization was facing Chapter 11 and had decided to cut wages and benefits. The union opposed this action and demanded that the organization make a thorough evaluation to determine where waste and inefficiency existed. Lack of coordination among departments was determined to be a problem. The management structure was reorganized resulting in transfers and layoffs at the middle level, rather than reductions of direct manufacturing workers. One year and a half later, productivity increased 27 percent and sales increased by 33 percent.

Summary

When a decision to downsize is followed by proactive planning, the organization will more likely achieve its goals. In targeting certain functions or jobs, a plan for improving organizational effectiveness is usually involved. Part of this planning is to conduct an evaluation of the organization's needs for achieving its objectives. An organization evaluation can determine what positions or functions should be cut when reductions are to be made. Most cases where functions or positions are targeted express the organization's objectives. When objectives are not clear, the results are usually negative. In these cases, organizations are likely adapting to some threat reactively without evaluating their future needs. Since planning is not associated with reactive adaptation, it is less likely that specific functions or positions will be targeted in a reactive downsizing response.

Across-the-Board

Across-the-board cuts are generally associated with more reactive approaches to downsizing. Reactive adaptation, as noted earlier, limits the time available for planning and evaluating the situation. Organizations responding reactively are most likely to be in the later stages of decline, such as the faulty action and crisis stages identified by Weitzel and Jonsson (1989). The short-term goal of stemming decline is the focus of these organizations. Since the strategy is simply to limit further decline, the downsizing may often fail to help the organization realign with its environment. Downsizing needs to be implemented rapidly and is most likely to be dictated by simple criteria. Cuts are often based on seniority, such as a last-in, first-out approach (Kanfer & Hulin, 1985). These

approaches can be applied across the organization without having to identify specific targets.

## Reasons for Across-the-Board Reductions

Across-the-board cuts are generally the result of poor economic conditions. In order to survive, the organization may cut a certain percentage of its expenditures. Often these cuts are most easily obtained through an overall reduction-in-force. Across-the-board downsizing shows little planning and evaluation of the organization's current or future needs. Unfortunately this approach may disrupt the workflow or leave certain departments understaffed. Moreover, this type of downsizing is highly visible throughout the organization. Its widespread distribution may have greater impacts on survivors than more focused targets; the remaining workforce may suffer a decrease in morale, commitment, and job security.

Criteria for selection. When an organization conducts a reduction-in-force hastily, it tends to use more simplistic criteria for deciding whom to target. Target implies an intention for reducing specific members of the organization, but this is rarely true of across-the-board downsizing. The simple decision criteria associated with across-the-board downsizing will likely result in a haphazard workforce reduction, rather than an intentional targeting. Organizations tend to adapt hastily when they experience a severe financial loss. Eastern Airlines, for example, was experiencing a loss of one million dollars per day when it decided to lay off 12 percent of its workforce (Kolcum, 1988). The across-the-board cuts made by Eastern Airlines involved clerks, mechanics, pilots, flight attendants, and managers.

A private hospital facing financial difficulty decided to downsize (Kanfer & Hulin, 1985). Across-the-board reductions were made on the basis of those individuals last hired by the organization. Little apparent planning was conducted. Employees were given a 48 hour notification, a two hour outplacement meeting, and one week's severance pay. These two examples show how a reactive form of adaptation can lead to hastily planned and poorly evaluated across-the-board workforce reductions.

In some instances, across-the-board reductions are the result of a well-planned decision process. This may occur when the organization is concerned with exhibiting fairness in downsizing the workforce. If properly managed, the use of across-the-board cuts may have less severe impacts on departmental operations and individual attitudes. Carney's (1987) discussion of layoffs made in Iowa's state government represents a proactive decision to cut across-the-board.

22

In 1980 Iowa's farm-based economy was deteriorating, with lost revenue putting pressure on the state government to reduce spending and waste. An immediate and drastic restructuring, along with across-the-board downsizing was implemented. This approach was used because the governor's goal was to centralize the structure and gain more control over state funded activities. He was also concerned with exhibiting a sense of fairness and equity in the treatment of all departments. The procedures used to determine where and how cuts would be made clearly show an evaluative and well-planned decision process. Each department was requested to identify programs and activities that had low priority and could be eliminated, or that had not yet been implemented. Problems identified in the evaluation included inadequate assignment of responsibility for the success or failure of programs; little encouragement of the efficient use of resources; lack of budgetary controls; and a need to eliminate redundant, obsolete, or unnecessary programs. The government was restructured on the basis of the important issues faced by the state. Obsolete, "sacred cow" programs, and new or completed programs were eliminated. With the reduction in personnel and the elimination of programs, the state saved 40 million dollars.

## Summary

When across-the-board downsizing is guided by simple, short-term objectives, it is unlikely to result in equilibrium. However, it may serve as an initial step in an attempt to stem the process of organizational decline (Weitzel & Jonsson, 1989). If the organization successfully slows the decline process, it may be able to conduct a more rational evaluation to determine how it has been affected and whether further cuts are needed. Even when across-the-board cuts are part of a well-planned effort, the results may not always be positive. Survivors may feel less security if they interpret the cuts to mean that no job or department is entirely safe from reductions. In general, across-the-board downsizing shows the least rational objectives and the simplest criteria of the approaches to downsizing.

## Target Locations

Targeting a location involves shutting down a plant or closing a company's headquarters (Heenan, 1989). Targeting a location may be the result of either a proactive or reactive form of adaptation. It is often difficult to determine from the literature whether a location was selected as part of a well-planned effort or as a means to generate quick cost savings. When the decision to close a plant is the result of proactive adaptation, it will generally be evidenced by more planning. Indicators include advance notification and programs to help laid-off workers find new employment. When an organization

adapts hastily, the closing may have more negative effects on laid-off employees and communities. Reactive downsizing may lead to an increased probability of union opposition and community antagonism. In a proactive adaptation, an organization may take steps to minimize community impacts and work more closely with the union during the decision-making process.

## Reasons Locations are Targeted

Locations are targeted for a number of reasons, ranging from environmental conditions to organizational objectives. Environmental conditions include decreased demand, financial losses, obsolete technology, and high maintenance and operation costs. High maintenance costs associated with keeping old and inefficient plants open may force organizations to shut down facilities completely (Howland, 1988; Perrucci, Perrucci, Targ, & Targ, 1985, 1988). Decreased demand for the particular goods produced or services being provided at a certain site may precede the decision to target a location (Ashton & Iadicola, 1989; Buss & Redburn, 1987). Organizational objectives include increasing competitiveness, efficiency, and changing product or service orientation. Mergers or acquisitions often lead to the shutdown of locations that the parent organization decides are unprofitable, inefficient, or redundant (Hirsch, 1987; Mitchell, 1988). After acquiring numerous smaller companies, United Technologies closed dozens of plants resulting in 11,000 layoffs (Mitchell, 1988). Gulf Oil cooperatively merged with Chevron as a defense against the threat of a hostile take-over (Hirsch, 1987). Mass layoffs, which they had hoped to avoid through the merger, occurred anyway. Gulf's workforce was ultimately reduced by one third.

General Electric became aware that increased competition and decreased demand for certain products, posed a threat to the organization (Cortes-Cormerer, 1986). It decided to adapt proactively to these conditions by changing its strategy and mission. As a result, numerous major appliance plants were closed, including GE's microwave division which was no longer competitive in the market (Debow, 1987). Since 1981, GE's various downsizing activities have resulted in more than a 25 percent reduction in its worldwide workforce. By 1984, these changes had resulted in a 12 percent rise in sales and 50 percent increase in earnings.

## Issues Affecting Location Decisions

Certain industries are associated with plant closings as part of continuous environmental shifts or long-term industrial decline (Hill & Negrey, 1987). The steel, automotive, and appliance industries

24

experience high rates of plant closings (Buss & Redburn, 1987; Cortes-Cormerer, 1986; Debow, 1987; Feldman, 1988a). Automotive industries are affected by declining market shares as a result of foreign competition, the fluctuation of oil prices, and generally poor economies. The combination of these factors may lead to a decision to downsize locations. Sluggish sales of new cars and high costs associated with maintaining old and inefficient facilities, may lead to the closure of automotive plants (Taber et al., 1979). These closures can result in the permanent layoff of anywhere from a few hundred to a few thousand employees. These employees are more likely to be low-skilled workers and union members (Buss & Redburn, 1987). Special considerations are more likely to arise in closing a plant than would occur in the selection of other targets. These include union contracts, advance notification laws, and community impacts.

The role of unions in downsizing locations. Unions may play a role in plant closings, either by providing opposition or assistance (Gibson, Hibbs, & Pitman, 1986; Hamilton, Broman, Hoffman, & Renner, 1990). The U.S. Office of Personnel Management (OPM) survey, based on a representative sample of 357 agreements containing RIF provisions, found that 90 percent of these union-organization agreements include an obligation for management to notify the union of impending reductions-in-force (see OPM, 1981, p. 4). Notification usually must include information pertaining to the reasons for retrenchment, the number and types of positions affected, and the approximate date the actions will take place. These contracts often involve restrictions on lay-off decisions, typically with restrictions on laying off employees according to merit or seniority (Greenhalgh, 1983; Jennings, Williamson, & Stotts, 1985; Smith, 1989; U.S. Office of Personnel Management, 1981; Wolkinson, Chelst, & Shepard, 1985). Arbitrary criteria cannot be applied without possible breach of contract. When organizations ignore contract stipulations, they risk union opposition which can be costly (Hardy, 1987; Murphy, Barlow, & Hatch, 1985).

These contract considerations will require more planning and more involvement with the union. Organizations that gain support and involvement from the union, will likely be more successful in the closing of a plant (Chell, 1985). Joint labor-management committees can be useful in planning a shutdown (Batt, 1983; Feldman & Leana, 1989; National Alliance of Business, 1984). Involvement of the union was key to the successful closing of a Stroh's brewery plant in Detroit (Franzem, 1987). Unions can assist the organization in identifying services employees will need, locating new jobs, and in retraining laid-off employees (Batt, 1983; Patton & Patton, 1984).

Legal constraints on downsizing locations. The Worker Adjustment and Retraining Act (WARN) went into effect in February 1989. This act

requires organizations to give 60 days advance notice to employees
when planning a major layoff or plant closing (Colosi, 1989).
Proponents of advance notification argue that it will facilitate the
job search for displaced workers, decrease the shock of a layoff
announcement, and provide an opportunity for the organization and its
constituencies to explore alternatives to a mass workforce reduction
(Addison & Portugal, 1987; Ehrenberg & Jakubson, 1989). The WARN act
may encourage organizations to be more proactive, because it requires
that the downsizing be announced at least two months in advance of its
implementation (Ruhm, 1990; Staudohar, 1989).

Impacts on communities. Downsizing entire locations tends to
have more direct impacts on communities (Aronson & McKersie, 1981).
With a great number of individuals laid-off at one location, the
effects of downsizing are more concentrated. Often a large percentage
of laid-off workers live within a small radius of the plant (McKersie
& McKersie, 1982). Local economies can suffer extreme population
declines and lost revenues (Feldman & Leana, 1989). Area unemployment
rates may rise significantly, especially when layoffs are poorly
planned (Langerman, Byerly, & Root, 1982). Stores may be replaced by
food banks, unemployment offices, and counseling services. Downsizing
locations may have subsequent effects on businesses (Perrucci et al.,
1985). After the Challenger disaster, NASA laid off 2,500 workers
(Feldman & Leana, 1989). Local businesses suffered significant
financial losses, including a 45 percent decline in motel occupancy
rates, a 10 to 15 percent drop in restaurant and tourist businesses,
an 18 percent drop in permits for single-family homes, a general
decline in retail businesses, and a substantial increase in consumers'
payment delinquency rates.

Plants may be the focus of a community (Kasl, Gore, & Cobb,
1975). Organizations may be family-oriented, where generations have
been employed by a plant (McKersie & McKersie, 1982). For these
organizations, the community will play an important role in the
shutdown. A community may attempt to work with an organization to
explore means of avoiding a shutdown (Ehrenberg & Jakubson, 1989).
Community collaborations with the organization can help identify job
search, training, counseling, and financial services for laid-off
workers (Patton & Patton, 1984; Petrini, 1989; Price & D'Aunno, 1983;
Valencia, 1985; Zahniser, Ashley, & Inks, 1985).

Communities may work with unions to increase the public's
awareness of an organization's activities (Gibson et al., 1986).
Gaining the support of public figures has been used to enhance public
relations campaigns. A decision to close a 3M plant in New Jersey led
the union to seek community support to prevent the closing.
Assistance was obtained from Bruce Springsteen, Willie Nelson, and

26

others to help bring attention to the situation. A full-page newspaper advertisement reading "3M: Don't Abandon Our Hometown" included the names of public figures who gave their support. Although such actions may not ultimately change the shutdown decision, the adverse publicity can generate long-term consequences for the organization.

Organizations targeting a location may attempt to minimize these impacts, especially when they are concerned with maintaining a positive image (Appelbaum et al., 1987; National Alliance of Business, 1984). Decisions to shut down locations may follow corporate mergers or acquisitions. These decisions may have adverse effects on the communities where plants are closed. Efforts to maintain good relations with the community may be included in the planning for downsizing (Matte, 1988). After acquiring Fisher Cheese, Borden decided to close one of its plants resulting in approximately 400 layoffs. One of Borden's main concerns was to maintain a positive image. Corporate representatives contacted the media and regularly informed them about the support provided to laid-off workers and successful re-employments. In addition, Borden pledged money toward economic development in the community where the plant was shut down. Advance notification can further help communities prepare and adjust for the layoff of a large number of workers (Ehrenberg & Jakubson, 1989; Langerman et al., 1982). These examples illustrate the role communities play in the decision to target a location. Additional considerations may be appropriate for organizations that decide to target facilities. Communities can be allies or adversaries depending on how the organization decides to handle the process.

## Summary

A target location may be selected for downsizing as part of a long-term plan or a hasty reaction to an environmental threat. An organization may have multiple reasons for shutting down a particular location. A plant may be inefficient, redundant, or obsolete. An organization may want to move its plants to a central location. Even when organizations fail to consider different strategies, unions and communities may intervene to generate alternatives and propose them to the organization. The criteria for selecting a target location can be rational, such as an inefficient or redundant plant. Simple criteria would result in a hasty selection of a location, most likely with the goal of saving money. It is difficult to determine from the literature whether the decision to target a location was proactive or reactive. By looking at the strategies, processes, and outcomes that follow, the extent to which planning, long-term goals, evaluation, and rational criteria were involved will become more clear.

# DOWNSIZING STRATEGIES

When an organization responds to environmental constraints through downsizing, there are a number of strategies or methods that can be employed to achieve a reduction in the workforce. These methods are typically aimed at reducing the amount of money spent on employee salaries and benefits. The strategies chosen, and the time available to implement them, are dictated in large part by whether the organization is proactive or reactive in its response. Further, the strategies chosen will have certain impacts on terminated personnel and employees who remain in the organization. These impacts will ultimately influence the effectiveness of the organization in adapting to its environment.

## Hierarchy of Downsizing Strategies

Greenhalgh et al. (1988) proposed a hierarchy of downsizing strategies that fall into the following five categories:

1. Natural attrition. The workforce is reduced through the normal process of employees entering and leaving the organization. This can be accomplished through the following methods:

> Selective or total hiring freeze; selective or total transfer-in freeze: The influx of new employees is limited through organization-wide freezes, or freezes for certain job categories, functional units, or locations.

2. Induced Redeployment. The organization offers employees incentives to comply with downsizing efforts.

> Transfer: Employees are moved to other units, departments, or locations within an organization.

> Early retirement: Employees are encouraged to leave the organization by allowing them to retire at an earlier age, usually with full pension benefits.

> Curtailing of advancement opportunities: Promotions are limited, or the time period between promotions is extended.

> Optional part-time or short-week schedules: Employees are given the opportunity to reduce their hours to a part-time schedule, or to work for less than five days per week.

Work sharing:  Two or more employees share job responsibilities once handled by one job incumbent (individuals work part-time schedules).

Leave-without-pay:  Employees are offered the option of taking a period of leave from the organization, during which time they do not receive their regular salary.

3.  Involuntary Redeployment.  The organization implements downsizing methods that require employee acceptance and participation.  These strategies include those listed in the Induced Redeployment category, but in this case the employees cannot refuse participation.  Another method included in this category is demotion/downgrading.

Demotion:  Employees must take lower-level positions within the organization.

4.  Layoff With Outplacement Assistance.  Employees are fired or terminated, but they are offered assistance in adjusting to their layoff.  This assistance may include retraining, counseling, severance pay, continuation of benefits, or advance notice of layoff.

5.  Layoff Without Outplacement Assistance.  Employees are terminated without any organizational assistance.  Employees may be laid off with or without recall rights.

Two other strategies not mentioned by Greenhalgh et. al (1988) that may fall within either induced or involuntary redeployment are:

Retraining:  Employees are trained to perform new jobs or to include new responsibilities within their existing position.

Job redesign:  Employees' jobs are restructured to include new tasks, responsibilities, or skills.

These strategies would be relevant where an organization was restructuring as part of its adaptive response to the environment. For example, Imberman (1989) described a manufacturer of steel mill equipment who sought mid-contract concessions because it was on the brink of bankruptcy.  The union would not agree to the concessions and forced the manufacturer to examine the actual plant situation.  There was a lack of coordination between the sales, manufacturing, and engineering departments that caused waste and disorganization, and allowed products to lie around unfinished.  The manufacturer then used a combination of restructuring, retraining, and job redesign to achieve cooperation among the departments.  The results were an increase in sales and productivity (Imberman, 1989).

29

Greenhalgh et al. (1988) consider their hierarchy of reduction strategies to reflect a trade-off between employee well-being and short-term cost savings. Natural attrition methods offer the greatest employee well-being and the lowest short-term savings. As an organization moves down the hierarchy to layoff without outplacement assistance, then short-term cost savings are maximized at the expense of employee well-being. Thus, any strategy choice will necessitate a trade-off between cost savings to the organization over the short run and employee reactions to the amount of control they have over continuity of employment. Although not explicit in the model, these trade-offs are likely to have implications for future organizational effectiveness.

While these strategies can be conceptualized independently, in practice these techniques overlap. Plant closings, restructuring, and sell-offs are three organizational responses that may include a number of downsizing tactics. It may be necessary for an organization to close one of its plants due to economic conditions in the plant's locale, decreased demand for a product, high labor costs, or the failure to be competitive due to outdated technology. When a plant closes, most employees are laid off, but some employees may be offered early retirement or transfers to other parts of the organization. For example, due to a decrease in car sales, GM closed a plant in Cincinnati, Ohio. This plant closing affected 3,200 workers. While the majority of the workers were laid off, 70 workers were transferred to other GM plants (Feldman, 1988a).

Environmental demands may lead to the restructuring of an organization. Restructuring consists of changing the shape or function of an organization by reconfiguring work flows, altering reporting relations, or modifying communication channels (e.g., Gibson, 1985). General Electric was facing competition from overseas and was experiencing a shrinking market. In 1981, John F. Welch, Jr. became chairman of GE and instituted major changes. These changes were based on a shift in emphasis from power and household appliances to high-tech and service-related areas. In support of their new business strategy, GE was restructured so that their businesses would fall within one of three "circles:" high technology, core manufacturing, or services. As part of this restructuring, GE closed dozens of plants, sold off over 150 businesses (including the sale of its small-appliance business to Black & Decker), instituted layoffs, and retrained some of its managers. Layoffs included staff reductions in its power generation businesses due to little growth in the industry. The number of managers at GE had also been reduced, and some remaining managers had been retrained to return to developmental work (Cortes-Cormerer, 1986). In this case, the reduction-in-force

was part of a redeployment of assets to new areas to support GE's new mission.

Finally, sell-offs can also result in the use of a number of downsizing strategies. An organization may cut costs by selling one of its units to another organization; this often results after mergers or acquisitions when the organization finds it has redundant departments or divisions. When a unit is sold to another organization, the new organization may decide to reduce the number of employees in the acquired unit. When Borden acquired the Fisher Cheese Company from Amfac Inc., Borden decided to close one of the Fisher Cheese plants located in Ohio. Most employees were laid off, although some were transferred to other Borden facilities (Matte, 1988).

These three examples indicate that downsizing is a complex process that usually includes a mix of strategies to reduce employee costs. The combination of strategies should be based on the goals the organization wishes to achieve with the reduction. In their hierarchy of strategies, Greenhalgh et. al (1988) highlight the criteria of employee well-being and short-term cost savings; however, they also acknowledge that there can be other organizational goals, including reduction in long-term costs, public acceptance of the reduction, employee health, consistency of downsizing strategy with organizational objectives, and ease of implementation.

The Greenhalgh et al. (1988) hierarchy also indicates different time frames associated with the downsizing strategies. Natural attrition necessitates a longer time frame for the required percentage of reduction to take place. In fact, the time frame may not be precise, since the reduction is based on estimates of the average turnover of the company. However, this will depend on the sophistication and accuracy of human resources planning in the firm. With sophisticated tracking methods, an organization can be very precise in its turnover estimates. Induced and involuntary redeployment strategies have shorter, more precise time-frames. For example, leave-without-pay may be staggered over time for a couple of months. Finally, layoff strategies have the shortest time frame. The differences in time and criteria indicate that the extent to which RIF is managed under proactive or reactive modes will likely lead to different strategy choices.

## Proaction versus Reaction

It has been noted previously that proactive adaptation allows for the use of longer time frames, more effective use of limited resources, and the consideration of future organizational objectives.

31

On the other hand, the response of a reactive organization will most likely be dictated by the need to cut costs rapidly without regard to later impacts on the organization.

In terms of the various downsizing strategies, a proactive organization will have the time and resources to examine a number of options. Management can estimate the results of various strategies and choose the strategy or strategies that would be optimal for their specific situation. This may include a sequencing of strategies so that strategies that are less harmful to employees are implemented first. Only when those strategies have been exhausted will the organization resort to forced RIFs.

While a proactive organization has a complete list of downsizing strategies from which to choose, a reactive organization is constrained by time to choose between the more expedient strategies. In terms of the hierarchy of strategies, a reactive organization may be limited to the use of involuntary redeployment or layoff. Also, time constraints will generally prevent the use of strategy sequences for reactive firms.

The greater time frame for proactive organizations also allows for feedback and adjustment of downsizing strategies. If a proactive organization experiences changing environmental conditions, it is able to modify its downsizing plan accordingly (Jacobs, 1988). The organization is also able to make incremental adjustments when certain strategies fail to meet their targets. For example, if too few employees took the option to retire early, a firm may turn to layoffs to achieve the required personnel reductions.

In 1982, an IBM plant in Burlington, Vermont faced a decreased demand for its memory chips, and it developed a plan to adapt to its changing environment (Greenhalgh, et al., 1985). The human resource planners had a short-term goal of decreasing the workforce, specifically the number of indirect (nonproduction) workers. Their long-term goal was to become the world's best producer of memory chips. These planners ranked possible reduction strategies from least to most drastic in terms of their impact on employees, and decided on a combination of less drastic downsizing methods. They reduced the number of indirect workers through attrition, voluntary transfers to other IBM plants, transfers to the plant's research and development laboratory, and early retirements. They also instituted an innovative strategy called a "Voluntary Assignment in Manufacturing Program" in which indirect workers would commit to working in direct production jobs for a year, with the option to return to indirect jobs after 9 to 12 months.

32

By taking a proactive stance, this plant was able to balance its short-term and long-term goals. It was able to use a combination of less harmful strategies that proved optimal when its environment changed. In late 1983, demand for memory chips recovered more quickly than expected. The plant was able to adjust to this change because it did not implement layoffs; it still had the proper workforce to adapt to the increasing demand. It is apparent that this plant not only had the time to implement measures less harmful to its employees, it also had the flexibility to recover when demand rose once again. If it had resolved its short-term difficulties with massive layoffs, it may have faced the problem of rehiring disgruntled former employees when demand rose (Greenhalgh et al., 1985).

Proactive and reactive organizations also differ in the resources available to implement downsizing. Because a proactive organization is responding to the environment in a timely fashion, it may have the resources to offer monetary incentives for voluntary redeployment. Even if the proactive organization must use a more drastic strategy such as layoff, it is more probable that this organization will be able to budget funds to provide outplacement and other assistance to the terminated employees. Reactive organizations are responding to environmental constraints well after the decline process has been initiated, thus their resources for implementing reductions may be severely strained. Reactive organizations at the final stage of decline (Weitzel & Jonsson, 1989) would be unlikely to have the funds to offer voluntary incentives or to provide assistance to laid-off employees.

A proactive approach can also allow an organization to turn the negative situation of downsizing into a strategic advantage. For example, if an organization must reduce its workforce, it can improve the quality of its survivors by terminating personnel on the basis of performance. In this way, the organization could remove those employees who are not contributing to the organization's success while also saving salary costs (Spertus, 1988). Further, the organization may adopt innovative reduction strategies that may increase its image in the eyes of its employees. In fact, Nystrom and Starbuck (1984) recommend that managers "unlearn" customary tactics for dealing with crises.

If an organization is faced with a short-term financial problem, it is in a good position to try novel tactics for reducing costs. When Mary Kay, a cosmetics company, faced declining sales, it developed a creative strategy for temporarily cutting costs (Halcrow, 1985). It "loaned out" some of its manufacturing workers to other companies for a temporary period of time. In the first instance, it loaned 32 employees to Digital Switch Corporation for 12 weeks.

33

Digital Switch Corporation paid their salaries while the employees worked for them. Employees were offered the chance for overtime pay if they worked for Digital, and were also offered a bonus to stay with this special program. This first instance saved Mary Kay $165,000, and also allowed the employees to earn an average of $1,000 in overtime and bonus pay. Employee reactions to this program were positive; workers were happy with the program and its incentives. When Mary Kay loaned out employees a second time, this time to Apple Computer, two-thirds of the employees in the second program had participated in the first one. Mary Kay's plan allowed the company to avoid layoffs when sales were down, and fortunately sales did increase (Halcrow, 1985). More importantly, the organization indicated through its actions that it cared for the welfare of its employees. Of course, to resolve long-term difficulties, more permanent reduction strategies may have to be utilized.

Another strategy that allows for short-term cost savings while preventing employee terminations is a work sharing program being developed by some states (Kerachsky, Nicholson, Cavin, & Hershey, 1986). In this program of short-term compensation, employees who suffer a reduction in work hours may receive partial unemployment insurance benefits as long as the reductions are expected to be temporary. This program is designed to encourage organizations to adopt reduced-hours strategies during periods that necessitate reducing employment levels (Kerachsky et al., 1986).

The previous examples highlight the benefits of a proactive stance to organizational downsizing. One of the major benefits of proaction is the ability to plan for and anticipate the effects of a downsizing strategy. There are a number of constraints that may limit the possible methods that can be chosen; proaction allows for attention to these issues.

## Planning for Downsizing

On a general level, effective human resource planning is necessary for the successful implementation of a workforce reduction. Through the proper management of personnel flows, an organization can limit the necessity of instituting large-scale reductions (Perry, 1985). First, the organization can limit its inflow through its recruitment and selection procedures. If the criteria for selection are tightened, then the number of people entering the organization can be reduced. Further, to offset the impact of a reduced influx of new hires, the organization can turn to its internal labor market to fill vacant positions (Fisher, Schoenfeldt, & Shaw, 1990). Through retraining and transfer of incumbent employees, the organization can

maintain employment in critical positions while limiting the size of its workforce.

Finally, the organization must have well-planned procedures for dealing with the outflow of individuals from the organization. An organization with sophisticated tracking methods can be fairly precise in estimating the number of employees that will leave the organization through voluntary leaves, retirements, deaths, and terminations. If the number of employees leaving is too low for the organization to remain efficient and operative, then the outflow can be increased through the use of early retirement incentives (Seibert & Seibert, 1989). If the outflow is still not large enough, then layoffs may have to be implemented.

Downsizing strategies should be part of an organization's overall human resources plan in order for them to be successful (Appelbaum, et al., 1987). Levine (1984) noted that some government agencies use "decrementalism" to cope with fiscal stress; in other words, they make small short-term adjustments to yield cost savings. Few public officials have viewed downsizing as a long-term problem that requires large-scale strategic plans (Levine, 1984). Downsizing should be planned as a long-term process (Heenan, 1989). When downsizing is used as a "quick fix", it may not address the underlying problems in the organization. Further cost-cutting tactics may then be necessary (Fisher et al., 1990).

## Selection

A practical consideration in implementing downsizing is the criterion used to select those to be affected by the strategy. Selection may be based on seniority, performance, or some other method of choice. Selection by seniority allows those with greater tenure with the organization to be unaffected, while newer employees are chosen to be downsized. This is known as the "last hired, first fired" method of selection. Kanfer and Hulin (1985) described a private hospital that based layoffs of nursing, clerical, professional, and food service employees on seniority. Employees with less than 90 days tenure were chosen to be laid off.

Seniority is not only used for layoffs. Schlenker and Gutek (1987) reported a public social service agency that transferred (demoted) social workers to administrative positions based on seniority. Social workers who were reassigned to new positions were employees with less tenure. Seniority may be reported as the criterion for selection, but employee perceptions of selection may be different. For example, although GE claimed that seniority was carefully considered in layoff decisions, engineers over age 55 felt

targeted by the downsizing efforts. Several age discrimination lawsuits were later filed against GE (Cortes-Cormerer, 1986).

Another method of selecting employees to be downsized is to choose them based on their performance. Managers can use performance appraisals, productivity records, or some other means to assess the performance of their employees. Employees who exhibit lower performance would be those targeted for downsizing. One hospital in the Ohio Valley Health Services and Education Corporation was faced with reducing its workforce from 2,600 to 2,000. It implemented layoffs, demotions, and transfers according to employee productivity. The hospital created a Personnel Management Committee that helped to develop a standard of efficiency with which to judge each department. They also formed a physician task force to explore the ways physicians cause inefficiency (Mullaney, 1989).

An organization should clearly communicate to survivors the criterion used to select employees to be terminated. "Secret lists" should be avoided (Chell, 1985). When employees do not feel that selection decisions were equitable, they may reduce their performance or commitment to the organization (Brockner, Grover, Reed, DeWitt, & O'Malley, 1987). For example, an oil production and exploration company laid off workers based on their performance rankings. However, since the rankings were kept in confidence, the remaining employees questioned the equity of the decision (Smallwood & Jacobsen, 1987). When management does not provide survivors with the facts, their performance may suffer as they compare notes and try to verify rumors (Sutton et al., 1985).

## Incentives

Once an organization has selected employees to be downsized, it may need to develop monetary incentives to induce employees to leave the organization. Incentives may include separation bonuses, severance pay, pension fund distributions, and early retirement options (Barbee, 1989; Steele, 1986). In terms of early retirement, the organization must usually waive pension discounts for those under 65 or those with less than the minimum required years of service. It may have to use a point system that includes age plus service, as well as add on an extra incentive for those who have already attained age 65 (Ellig, 1983).

Seibert and Seibert (1989) described the need to design early retirement windows, or periods of time in which employees are allowed to take early retirement. They advised that there should be sufficient advance notice for these windows to give employees time to consider this option. Furthermore, they cautioned that a window that

is too large may allow more employees to leave than the organization wishes. They suggested the use of "portholes", or a series of smaller windows that occur over time. This may reduce the chance of too many employees retiring at once (Seibert & Seibert, 1989). Thus, with sufficient planning time, an organization could use an incremental strategy of early retirement offers.

Another incentive that must be considered is severance pay. When employees are laid off, they are usually offered a number of weeks of pay following their termination. Severance pay buffers financial losses, reduces the need for the individual to grab the first new job available, and reduces the need for governmental assistance (Leana & Feldman, 1989). Ellig (1983) proposed a formula for estimating severance pay which is as follows:

Weeks of
Severance Pay = years of service $X \frac{(age)^2}{1,600} X \frac{\text{employee pay}}{\text{median grade midpoint}} + 2$

The figure 1,600 is the age 40 "squared," and the 2 added to the equation is the traditional "in lieu of notice" factor. Employees who are not given advance notice of their termination are usually given two weeks severance pay (Ellig, 1983).

Ellig (1983) also cautioned that severance pay and early retirement incentives should appear equitable; the organization should try to prevent any group of employees from feeling that they were treated unfairly or received lower compensation. He also advised that the cost of incentive programs must be estimated and compared to the savings expected from the reduction-in-force. Since an organization is attempting to achieve cost savings through their downsizing effort, the incentives for employees to leave should not negate these savings.

### Constraints on Strategy Choice

Along with considerations of strategy implementation, there are a number of constraints to the choice of the strategy itself that must be considered in the planning process. In some cases organizations may be limited to the number of strategies that can be utilized, even if they have responded to environmental threats in a timely manner. Several issues may constrain strategy choice, such as the organization's philosophy, legal considerations, and the presence of unions.

## Organizational Policy or Philosophy

Organizations that guarantee full employment to their workforce are limited in their use of layoff strategies. For instance, IBM has a philosophy of respect for the individual, which implies a guarantee of full employment. Because IBM had a belief in retaining employees for life, this philosophy was an important consideration in the strategic planning of the memory chip plant mentioned earlier (Greenhalgh, et al., 1985). Their aversion to the use of layoffs limited their choice of strategy to some of the "less drastic" methods. Of course, the feasibility of a "no layoff" policy would depend on the organization's capability to cover expenses related to personnel maintenance, training, relocation or redeployment, and recruitment and hiring (Dean & Prior, 1986).

Also, policies of job security will be more feasible for an organization highly committed to its people and one that is in a stable or growing market (Riggan, 1985). When organizations face decline, their uncertain environments limit their ability to ensure job security. However, proponents of job security policies highlight a number of advantages to eliminating layoffs as a downsizing strategy: (a) layoffs are costly in terms of unemployment insurance taxes, severance payments, and legal, rehiring and training costs; (b) layoffs may result in turnover of good workers with stress and decreased morale among survivors; (c) job security enhances a climate for change and growth; and (d) job security promotes loyalty and lowers turnover (Hansen, 1985). Employment security also enhances the organization's image as an employer (Dean & Prior, 1986).

## Legal Constraints

Organizations must be careful that their downsizing practices do not disproportionately affect certain protected groups. Title VII of the Civil Rights Act of 1964 prohibits employment discrimination based on an individual's race, color, religion, sex, or national origin (Fisher et al., 1990). Also, the Age Discrimination in Employment Act of 1967 (ADEA), amended in 1987, prohibits employment discrimination based on age for individuals aged 40 and older (Feldacker, 1990; Thompson, Hauserman, & Jordan, 1986). The Americans with Disabilities Act (ADA) was passed in 1990 to protect the rights of disabled employees (Hunsicker, 1990). Therefore, organizations must guard against strategies that adversely impact older employees, women, minorities, and the disabled. Certain downsizing strategies may have unintended impacts for protected groups. For example, an organization that has made progress in affirmative action may adversely affect these policies with last-hired, first-fired reduction strategies (Jennings, et al., 1985). Furthermore, jobs that are targeted for

reductions may affect protected groups if these groups are disproportionately represented in the positions to be downsized. Finally, reduction strategies that affect protected groups may result in adverse publicity for the organization. As part of its human resources planning, the organization can use computer programs to model the consequences of possible reduction strategies on protected groups (Enderle, 1987).

Because women and minorities tend to hold jobs at lower levels in the organization and tend to possess less job tenure, greater proportions of these protected groups may be affected by retrenchment (Ketchum, 1982). For example, during the Federal government's workforce reductions in the early 1980s, a congressional study found that women and minorities were being laid off disproportionately due to seniority policies (Bureau of National Affairs, 1982). The reduction-in-force rate for minorities in all grades and all job classifications was approximately 50 percent higher than the rate for nonminorities. Although women were laid off at an overall rate that was lower than that for men (due to a large number of women in clerical positions), women in administrative positions were laid off at a rate approximately 61 percent greater than the rate for men. Minorities in administrative positions were laid off at a rate greater than 3.5 times the average RIF rate, and they also experienced approximately 20 percent more downgrades and lateral transfers than nonminorities.

This example highlights another issue that must be resolved: balancing seniority policies with the possible adverse effects on protected groups. Because federal regulations for reductions-in-force are stringent in basing layoff policy on seniority, equal employment concerns could not be addressed in the reductions of the early 1980s (Bureau of National Affairs, 1982). In the case of RIFs in schools, nontenured teachers are usually laid off first (Phay, 1980). However, nontenured teachers have won job-security rights through litigation. Therefore, school administrators are faced with the problem of resolving labor contract provisions for seniority policies with job-security rights, as well as with court-mandated hiring requirements for minorities (Educational Research Service, 1975).

This issue of selection for downsizing based on seniority versus possible adverse impacts on protected groups has reached the Supreme Court. The case of Firefighters' Local 1784 vs. Stotts was based on the announcement by the city of Memphis in 1981 that it was laying off employees using seniority as its criterion. In 1977, a black fire-fighting captain named Stotts had filed a class action suit against the Memphis Fire Department claiming that hiring and promotions were made on the basis of race. The city signed a consent decree which

included a goal of increasing the proportion of blacks in firefighting positions to reflect the proportion of blacks in the labor force. However, the 1981 decision to layoff city employees based on seniority threatened this affirmative action program, and Stotts filed a suit once again. When the case reached the Supreme Court, the Supreme Court decided to uphold seniority decisions even when affirmative action programs suffer (Jennings et al., 1985).

In a review of court cases involving age discrimination, Thompson et al. (1986) state that it may be more difficult for employees to prove age discrimination in reduction-in-force cases compared to other employment practices if the employer has not replaced the terminated employees with younger individuals and can show an economic reason for the terminations. However, Verespej (1990) describes the case of a 43 year-old woman who brought an age discrimination suit against Xerox and won $8.75 million in punitive damages. She was to be transferred to a lower-level position at another location, while a man seven years younger filled her previous position. GE also suffered several age discrimination lawsuits after its restructuring (Cortes-Cormerer, 1986).

Organizational downsizing plans are also constrained by the Worker Adjustment and Retraining Notification Act (WARN). WARN requires an organization to give 60 days advance notice to employees when layoffs or plant closings affect at least 50 employees or one-third of the workforce (Colosi, 1989). Opponents to WARN claim that valuable personnel may choose to leave after they learn of layoffs or plant closings, and the morale of remaining employees would decline. This would then decrease the organization's ability to handle environmental difficulties during the 60 days prior to layoffs (Ehrenberg & Jakubson, 1989). This may discourage an organization from using layoffs as a reduction strategy, although the economic necessity of a plant closing would give the organization little choice in the matter.

Unions

Another constraining factor in the choice of downsizing strategy is the presence of employee unions (Hardy, 1987). If layoffs are necessary, unions generally support the use of seniority in the selection of employees to be terminated. For example, in a case study of an American telecommunications service organization, Cornfield (1983) found that seniority was most likely to be used as a criterion for layoff decisions concerning the unionized workforce. Union contracts may also constrain the choice of strategy or means of implementation (Fisher et al., 1990).

Smith (1989) surveyed 469 school district superintendents in the state of Michigan to discover how teacher union contracts constrain the district's ability to adapt to declining enrollment and resources. Fifty percent of the districts had experienced enrollment declines of five percent or more during the past five years. Teachers were unionized in 96 percent of the districts; decisions to lay off were constrained in 98 percent of the contracts with objective criteria of seniority and state certification predominant. Subjective criteria such as academic preparation, experience, and performance evaluations occurred less frequently in contracts. Criteria for layoffs were present 97 percent of the time for unionized teachers compared to 87 percent for nonunionized teachers. Smith (1989) concluded that the unionized labor forces seem to be a constraint on organizational innovation and flexibility in planning for RIF.

The U.S. Office of Personnel Management (OPM, 1981) examined reduction-in-force provisions in Federal labor agreements. Sixty-seven percent of the 2,418 agreements in OPM's Labor Agreement Information Retrieval System file contained RIF provisions. Fifty-five percent of the agreements had provisions for notice to the union of a RIF. The notice would usually include reasons for the RIF, the number and types of positions affected, and when the RIF would occur. Eighteen percent of the labor agreements had provisions for notice to employees. All of the RIF provisions contained a statement about the agency's procedure for a RIF, usually specifying that the agency will conform to established laws or regulations. Provisions may also include clauses concerning retention registers, bumping and retreat rights, re-employment priority lists, and appeal rights.

Many RIF provisions also mentioned methods to minimize the impact of RIF on employees, including the use of vacancies, training, reassignment, demotion, attrition, hiring freeze, and promotion freezes. Some provisions authorize the use of various combinations of strategies to minimize the impact of RIF. Some agreements contain provisions for employee counseling, outplacement, severance pay, salary retention, retirement options, and health and life insurance benefits (OPM, 1981). Thus, union agreements can have very specific provisions about how a RIF must be accomplished, and this can constrain the options available to a declining organization.

Unions may also try to prevent terminations from occurring at all. During contract negotiations with Eastern Airlines, the mechanics' and pilots' unions successfully sued to block Eastern from implementing cost-cutting tactics (Kolcum, 1988). When 3M announced that it would be closing a plant in Freehold, NJ, the union began a public relations campaign enlisting the endorsements of Bruce Springsteen and Willie Nelson to appeal to the public about this plant

41

closing (Gibson, et al., 1986). Though often failing to prevent the RIF, such actions can create adverse publicity that may jeopardize future flexibility.

Summary

Organizations that respond to environmental contingencies with reductions-in-force have a number of strategies from which to choose, including attrition, early retirements, transfers, demotions, reduced work schedules, and layoffs. The length of time available to implement and monitor the strategies is a critical consideration in their choice. Organizations that are proactive in response to environmental demands may have more options to choose from due to longer time frames and greater available resources. However, certain issues may limit possible downsizing strategies, including the organization's philosophy, legal constraints, and union contracts. Further, criteria for selection must be established, and incentives that allow for organizational savings must be devised. A final consideration in the choice of downsizing strategies is the impact of various strategies on terminated personnel and surviving employees. Proactive organizations may be more likely to consider strategy consequences, since they usually have time to appraise and plan for possible outcomes.

## The Effects of Downsizing Strategies

Downsizing strategies can be divided in terms of who is targeted by the method: those who remain with the organization, or "survivors," and those who must leave the organization, or "RIFers." Strategies that directly affect survivors include transfers, curtailing of advancement opportunities, reduced work schedules, work sharing, leave-without-pay, and demotions. Strategies that directly impact those who leave are layoffs and early retirements.

Once a downsizing strategy or strategies have been chosen and implemented, there are a number of possible results that may affect the individuals who leave the organization, those who remain, and the organization itself. Strategies used for RIFers have a direct effect on those who leave the organization, but are also likely to influence the behavior and attitudes of those who survive. Reductions in force affect terminat.d personnel directly by reducing financial resources (Perrucci, et al., 1985), causing anxiety and depression (Hamilton, et al., 1990), and influencing family relationships (Liem & Liem, 1988). However, the manner in which the organization treats its terminated personnel also sends a clear message to surviving employees. This treatment affects the levels of energy and commitment that survivors will invest in the organization (Doris, 1989). These employees may

42

feel insecure and fearful of the future, wondering if they will be laid off next (Chell, 1985; Dull, 1986); this is especially true when reductions are made in waves rather than in one final cut (Greenhalgh, 1983). Individuals may exhibit resentment (Byrne, 1988a) and decreased loyalty and commitment (Goldstein, 1986) towards an organization that no longer insures job stability nor values loyalty (Modic, 1987). When downsizing is implemented to produce instant results, haphazard cuts may result in decreased morale among the remaining employees (Murray, 1989). If a downsizing is handled poorly, talented employees may leave the organization (Stedman, 1989).

Based on a number of research studies, Brockner (1988) developed a model of the reactions of survivors to layoffs. Layoffs may affect survivor feelings of job security, anger, guilt, and relief that may then influence work behaviors and attitudes (e.g., productivity, commitment). Greenhalgh (1983) conceptualized a cycle of influence between organizational decline and the individual's perceived job security. Individuals perceive the organization's decline, they react with insecurity, and this affects their performance. Their decreased performance diminishes organizational effectiveness. Further organizational decline leads to greater feelings of insecurity, and the cycle continues. Thus, it can be seen that strategies directed primarily at terminated personnel can also influence the performance and attitudes of surviving personnel. This influence has direct implications for the organization's ability to remain effective in a changing environment.

## Terminated Personnel

Downsizing strategies that terminate personnel can have profound and extensive effects on the employees who must leave the organization. Employees who are laid off and those who must retire early are faced with the immediate prospect of a loss of income.

Employees who must retire early may be faced with the termination of their careers before they are ready. They may be in the stage of their lives where they need their full salary the most. For example, they may have several children in college that they are still supporting. They may not receive enough money from their pensions to support their family, so they may have to find a new job. However, it is often difficult for middle-aged individuals to obtain a new position, because organizations are more inclined to hire fresh, new employees straight out of college. Organizations may be less willing to hire a person who is older because he/she may be considered less adaptable to the new organization, may have outdated skills, etc.

Employees who are laid off face the prospect of a total loss of income. They may have no other sources of income with which to support their families, so a priority for them would be to find a new job quickly. For layoff victims and those who are retired early, it may be difficult to find a job that pays comparable wages to their former position. They may face the prospect of being unemployed in a labor market flooded with people with similar skills and experience (Langerman, et al., 1982). Further, employees who are unskilled, semi-skilled, or have firm-specific skills may be most vulnerable to layoffs (Blank, 1989; Hepworth, 1980). Laid-off workers may have to make certain adjustments in order to live on less pay (Perrucci et al., 1985).

Jahoda (1979) remarked that there is more to work than just making a living, and thus more to the lack of work than the reduction of one's standard of living. This implies a psychological impact of job loss. Work provides meaning to one's life beyond the salary one receives. It structures time during the day, allows for regularly shared experiences and contacts with others, links one to goals and purposes transcending one's own, provides one with personal status and identity, and furnishes enforced activity (Jahoda, 1979).

Job loss can have impacts on the terminated employee's mental health, physical health, self-respect, attitudes, and behavior. It may also influence family relationships in terms of alcohol and drug use, spousal and child abuse, divorce, separation, and changing family roles (Liem & Liem, 1988; Rhine, 1986; Zahniser et al., 1985). Thus, losing one's job has obvious effects on one's income and ability to support one's family, but it also has impacts that are more far-reaching and enduring (e.g., Liem & Liem, 1988; Perrucci et al., 1985; Powell & Driscoll, 1973).

There is a substantial body of research on the impact of job loss, with much of this research concentrating on layoffs due to plant closings (e.g., Ashton & Iadicola, 1989; Burke, 1984, 1985, 1986; Buss & Redburn, 1987; Hamilton, et al., 1990; Iversen & Sabroe, 1988; Kasl & Cobb, 1979; Kasl, Gore & Cobb, 1975; Kinicki, 1985; Perrucci, et al., 1985; Warr, 1978). Another portion of research has used national data from the Bureau of Labor Statistics Current Population Survey and Displaced Worker Survey for various years (e.g., Hamermesh, 1989; Horvath, 1987; Howland & Peterson, 1988; Podgursky & Swaim, 1987). These empirical studies have looked at a broad range of individual characteristics and unemployment outcomes that provide a detailed account of the problems faced by employees who are terminated. Research has also examined the broader issue of economic change and its influence on individual illness, injury, and help-seeking (Catalano & Dooley, 1983; Dooley & Catalano, 1980, 1984a, 1984b, 1988;

Dooley, Catalano, & Rook, 1988), but that is beyond the scope of this report.

## Material and Financial Impacts

Financial outcomes. In terms of financial outcomes, Perrucci, et al. (1985) furnished a detailed account of the economic impacts of unemployment on workers and their families. They examined the impact of the closing of an RCA plant in Monticello, Indiana for the workers and the community. Although the union offered concessions and the mayor of Monticello offered tax and utility reductions, RCA closed the plant on December 1, 1982. Perrucci et al. (1985) surveyed 327 former RCA plant workers eight months after layoff to determine the effects of the plant closing. They also surveyed 42 blue-collar workers in an area plant to serve as a control group for comparison purposes.

Eight months after the plant closing, 71 percent of the displaced workers were still unemployed (66 percent of the men, and 74 percent of the women were unemployed). Twenty-five percent of the men and 11 percent of the women were working full-time. For those who were re-employed, men were earning 67 percent of their former weekly wages and women were earning 59 percent.

Perceived economic distress was measured by the number of categories of consumer items the individuals said they could afford. Displaced workers (both unemployed and re-employed) indicated an average of three affordable categories. Over 50 percent of displaced workers said they could not afford the following categories: leisure activities; replacement of worn-out furniture or household equipment; clothing; and car. The control sample could afford an average of six of the eight categories.

Expense adjustments were measured with a list of living expenses, including insurance, health care, and entertainment. The average number of adjustments made by displaced workers was nine. Over 50 percent of the displaced workers cut back on or eliminated gifts, charitable contributions, entertainment, clothing, children's expenses (other than schooling), food, home upkeep and repair, dental care, magazines or newspapers, auto upkeep and repair, and the individual's education and training. Forty to fifty percent of displaced workers cut back or eliminated health care, health and life insurance, telephone, and children's schooling costs. Less than 40 percent of the respondents had cut back or eliminated rent or house payments, fire and auto insurance, and child support or alimony.

Increasing home production was measured by a nine-item list of money-saving activities. A majority of the displaced workers

increased time spent on seven activities: shopping for food bargains; shopping for clothing bargains; gardening; preparing meals; canning; home repairs; and auto repairs (Perrucci et al., 1985).

It is clear that these displaced workers had to make some substantial adjustments in their lives to cope with becoming laid off, even if they did find re-employment. Perrucci et al. (1985) furnished a rich description of the financial impacts of unemployment for workers and their families. However, most studies have examined economic outcomes more generally. Hamermesh (1987) noted that the aspects of job displacement that have received the most thorough research are the size and incidence of lost work time and wages. These variables have been studied in terms of different populations of workers (e.g., men, women, minorities, blue-collar, white-collar, managerial, technical, factory workers).

Length of unemployment. A number of studies have examined the financial effects of job loss in terms of the length of time displaced workers spend being unemployed. Horvath (1987) used data from the Current Population Survey of January 1986 to report various descriptive statistics concerning displaced workers. During the January 1981 to January 1986 period, the number of displaced workers who had at least 3 years of tenure at their job totaled 5.1 million. The median period of weeks without work for these 5.1 million workers was 18 weeks (this figure includes those who left the labor force). Displaced workers who were re-employed in January 1986 reported a median of 13 weeks of unemployment; unemployed displaced workers had been jobless for a median duration of 21 weeks (Horvath, 1987).

From 1977 to 1985, Buss and Redburn (1987) studied the impact of the closing of the Youngstown Sheet and Tube Works in Campbell, Ohio. They found that two years after the plant closing, 27 percent of the affected unretired workforce in that metropolitan area were unemployed; eight years later, 27 percent of those still in the labor force were unemployed. Their longitudinal study suggests that there are long-term unemployment effects that may be missed with short-term studies of plant closings. Buss & Redburn (1987) also reported that the average worker laid off in this closing typically held two jobs between 1977 and 1985; therefore, economic losses could be measured in terms of decreased job security and the interruption of income between jobs.

Finally, Burke (1985) investigated the results of the closing of Canadian Admiral, a manufacturing plant in Cambridge, Ontario. A survey was mailed out 16 months after the plant closing, and 183 former employees returned completed surveys (155 men, 22 women, and 6 unknown). Thirty-four percent of the sample had been unemployed the

46

full 16 months following the plant closing (63 respondents). Thirty-nine people had at least one job during the 16 month period, but 89 percent of these people were laid-off again. Forty-two percent of the sample (77 people) had jobs, but they were mainly temporary or part-time positions. Burke (1985) also examined the differential effects on men and women. Immediately after the closing, fewer women were unemployed. However, employed women worked for shorter periods of time than men. A factor contributing to the large percentage of individuals still unemployed 16 months later was the high unemployment rate and poor economy in Cambridge, Ontario.

These studies highlight the fact that employees who are terminated may experience substantial periods of unemployment before they are able to find a new job. If the economy in their area is poor, the ability to find a new job is further hampered. Moreover, future job stability is often threatened. Displaced employees may hold a number of jobs following layoff, experiencing periods of unemployment between jobs that continually affect their standard of living.

Income loss. The second economic issue addressed by the research is income loss. This may be due to the amount of time spent unemployed, the level of re-employment (e.g., full- or part-time), and/or to the status of the job (i.e., if the job is at a lower level than the previous position). In a review of the plant closing literature, Hamermesh (1987, 1989) reported that median re-employed displaced workers suffered real wage reductions between 5 and 15 percent. He also reported some differences in income losses for several groups. Employees with the greatest tenure suffered the largest losses of subsequent wages. Also, workers who changed industries or occupations suffered greater losses, and blue-collar workers experienced larger than average losses. Finally, he stated that it was impossible to conclude from the research that women and minorities suffered greater losses (although minorities were more likely to be displaced).

Howland and Peterson (1988) used data from the January 1984 Current Population Survey to examine the effects of local labor markets on the economic losses of displaced manufacturing workers. They estimated the cost of a manufacturing worker's displacement by calculating the difference between the worker's current re-employment wages and their pre-displacement wages (in terms of the present value of each). They found that workers who possessed larger pre-displacement wages experienced greater financial losses due to declines in average weekly wages. Their results also indicated differences for various groups of workers. Even in the Standard Metropolitan Statistical Area (SMSA) with the fastest-growing labor

market, older, poorly educated, minority blue-collar workers experienced large financial losses. There were no white-collar workers who experienced income loss in this fastest-growing SMSA. In the most depressed labor markets, workers of all ages and education levels, both blue- and white-collar, experienced economic loss.

Podgursky and Swaim (1987) used data from the Displaced Worker Survey of January 1984 to estimate a model of re-employment earnings. They found that the median ratio of current to former earnings was .87 for blue-collar workers and .93 for white-collar workers. However, they found a wide variation in the ratios of current to former earnings. They also found differential earnings losses. Education increased post-displacement earnings for all groups (men, women, blue-collar, white-collar). Male craft workers experienced smaller earnings losses than other blue-collar workers; this suggested a greater portability for general skills. Greater tenure on the previous job significantly increased earnings losses for blue-collar men. Workers who exhausted unemployment insurance benefits experienced significantly greater earnings losses than workers who did not exhaust unemployment benefits or workers who did not collect unemployment insurance. This indicated that the length of time unemployed impacted earnings loss. They concluded that the median earnings losses for workers who return to full-time work are modest-- less than 10 percent for blue-collar workers and below 5 percent for white-collar and service workers.

In his study of the Canadian Admiral plant closing, Burke (1985) found that over 70 percent of the sample were making less money at their current job than at Canadian Admiral. He also found differences in earnings losses between men and women. Women employed 16 months after the closing received lower salaries than men, and their drop in wages from their previous job was greater than that for men.

In contrast to the previous studies, Buss and Redburn (1987) found that family earnings remained high eight years after the Youngstown steel plant closed; family income levels were $19,000 for re-employed workers, $15,000 for unemployed workers, and $12,500 for retired workers. They reported that few workers were reduced to extreme poverty because they had other personal resources that helped them through the crisis.

Ashton and Iadicola (1989) examined the closing of an International Harvester Corporation plant and its effects on managerial, salaried/technical, and factory employees. They found that 90 percent of salaried/technical workers reported income loss, compared to 75 percent of factory workers and 60 percent of managers. Salaried/technical workers experienced the greatest income loss

48

because International Harvester generally promoted from within the company, frequently from among the blue collar factory workers. Therefore, their status and pay could not be transferred easily to an external labor market. Contrary to previous research, Ashton and Iadicola (1989) found that blue-collar workers were likely to experience less income loss than white-collar (managerial and salaried/technical) workers when other predictor variables such as socioeconomic status and educational attainment were controlled. Another contradictory finding was that re-employment in manufacturing industries was important for reducing income loss only for white-collar workers. The strongest predictors of income loss included level of re-employment (full- vs. part-time), number of weeks unemployed, and socioeconomic status of the present job.

Job loss and unemployment can result in serious economic problems for terminated employees, especially if their skills are not marketable outside of their former organization (Ashton & Iadicola, 1989). If the individuals cannot find new employment, they face further anxieties that can affect their health, their self-perceptions, and their relationships with others.

## Physical and Psychological Well-Being

As Jahoda (1979) asserted, losing one's job has consequences beyond the loss of a steady source of income. It is a very traumatic experience that may result in negative attitudes or feelings about becoming unemployed. In semi-structured interviews with managers and professionals who had lost their jobs, Swinburne (1981) found a number of initial reactions to unemployment. These reactions included initial shock, worry, fear, uncertainty of the future, loss of a sense of purpose, anger, bitterness, resentment, shame, loss of status, and loss of self-respect. Job loss may also cause changes in mental health, physical health, attitudes, behaviors, and family relationships.

Physical health. The trauma of losing a job can cause individual stress that may manifest itself in psychosomatic symptoms such as headaches, stomach problems, high blood pressure, etc. The stress associated with job loss may also lead to unhealthy behaviors such as smoking cigarettes, taking drugs, or drinking alcohol. In their study of the RCA plant closing in Monticello, Indiana, Perrucci et al. (1985) found that displaced workers reported health problems as a result of layoffs. Thirty-six percent of the displaced workers reported headaches, 26 percent reported stomach trouble, 10 percent reported high blood pressure, 37 percent reported increased smoking, and 10 percent reported increased drinking. There was a difference

between men and women in that 17 percent of men, versus 5 percent of women, reported increased alcohol consumption.

In a study of the closing of Canadian Admiral, a manufacturing company, Burke (1984) reported the negative health effects of layoff 16 months after the plant closing. Individuals who were earning less money on their current job compared to their previous job at Canadian Admiral reported greater alcohol consumption. Individuals in temporary positions also reported greater alcohol consumption. Those individuals earning lower hourly pay rates compared to their previous job reported more psychosomatic symptoms. Compared to the general population, the group of former Admiral employees reported the same psychosomatic symptomatology, but they smoked slightly more and drank alcoholic beverages significantly more often. In a subsequent study of the employees who were re-employed sixteen months after layoff, Burke (1986) found that a drop in pay from the previous to current job was significantly related to greater alcohol consumption and greater psychosomatic symptoms.

Kessler, House, and Turner (1987) interviewed employed and unemployed individuals in a high unemployment area of Southeastern Michigan. They analyzed results for those who became unemployed through no fault of their own (e.g., due to plant closing, early retirement, or layoff). Unemployment was significantly related to increased physical illness and somatization.

Kasl et al., (1975) examined changes in health and health-related behavior over a two-year time period for men who lost their jobs due to two plant closings. The men recorded their health on a daily basis in health diaries. The most important measure from the diary was Days Complaint, which was the number of days in a two-week period that the subject reported that he did not feel as well as usual. Measures were taken at five points during the two-year period. The mean Days Complaint for displaced workers was significantly higher than that of a control group during the phase of anticipation of layoff. Days Complaint then dropped from one phase to the next over the two-year period for the displaced workers. However, those men who never found stable re-employment showed high levels of Days Complaint throughout the two-year period (Kasl et al., 1975).

In general, these studies show that unemployment can lead to or exacerbate a number of physical health problems. Job loss can also affect an individual's mental health by increasing anxiety and depression.

Psychological health. Hamilton et al. (1990) examined the effects of anticipation of layoff and actual layoff on mental health.

50

Their sample was 831 employees from GM plant closings; a control group of 766 employees from nonclosing plants was used for comparison. Mental health was measured by somatization, depression, and anxiety. They also examined demographic variables that may contribute to differential vulnerability to the effects of layoff on mental health. These variables included education, prior income, race, gender, marital status, and age. They found no effect of anticipating layoff on mental health. However, actual layoff had a powerful impact on mental health measures, especially depression and anxiety. The most interesting interaction they reported was between race, education, and layoff. Less-educated blacks showed a significant impact of layoff on depression. Further analyses indicated that less-educated individuals and especially less-educated blacks who were laid off reached clinically significant levels on the mental health outcomes.

Liem and Liem (1988) conducted a longitudinal study of men who had lost their jobs. They examined the impact of unemployment on the husband and his family compared to a control group of employed husbands. They found that unemployed workers reported significantly higher levels of psychological symptoms one to two months after job loss; this was largely due to increased anxiety and depression. Symptoms increased four to five months after job loss, and remained at this level at seven months following job loss. Wives of the unemployed men did not exhibit significant increases in psychological symptoms until four to five months after their husbands' job loss. Liem and Liem (1988) considered this delay in symptoms to be due to the indirect effect of the husbands' emotional response to unemployment on the wives' well-being.

Kinicki (1985) tested a model of the factors that influence affective responses to layoffs. Data gathered from individuals laid off due to a plant closing indicated that only individual costs of unemployment (i.e., financial costs, friend and family costs, and environment costs) had a direct effect on anxiety. However, employment status, employability, expectation of a plant closing, work ethic, and stressful life events had indirect effects on levels of anxiety through their influences on individual costs (Kinicki, 1985).

In a study of men on the unemployment register in Sheffield, England, Hepworth (1980) found that mental health was poor for these unemployed individuals. Further, mental health was found to be poorer for those lower in occupational status. This indicated that unskilled and semi-skilled men suffered more during unemployment. Moreover, the longer a person remained unemployed, the poorer was their mental health. After a shipyard closing in Denmark, Iversen and Sabroe (1988) found that unemployment was significantly related to reduced psychological well-being. Warr (1978) reported that those people

still unemployed after a plant closing had significantly lower positive affect and higher levels of anxiety. In contrast, Kessler, Turner, and House (1988) found that unemployed individuals with the highest levels of anxiety and depression were more likely to become re-employed. They explained that individuals who need to be constantly employed will be more distressed by unemployment and thus be more active in their job search.

In a review of British research on unemployment and mental health, Warr, Jackson, and Banks (1988) concluded that distress remained high for people remaining unemployed, but fell substantially for those moving back into jobs. This conclusion is consistent with Jahoda's (1988) assertion that most of the unemployed do not exhibit psychiatric disorders, but rather a lower degree of psychological well-being. This implies that amelioration of the psychological effects of unemployment will not be accomplished by therapy, but by the creation of jobs (Jahoda, 1988).

Attitudes. Losing a job can also affect an individual's attitudes and self-perceptions. For example, if an individual has been unable to find new employment, his or her self-confidence and self-respect may decrease. Self-esteem may decrease further if the spouse enters the job market to replace the major wage-earner (Langerman, et al., 1982). Unemployment may also change a person's satisfaction with his or her life (i.e., he/she no longer has a job that fulfills his or her needs for money, social interaction, a sense of purpose, etc.). Attitudes towards the organization may change because an individual is laid off; it is quite likely for the person to become bitter towards the organization that terminated him or her.

Cohn (1978) used a sample of 1,080 people drawn from a national longitudinal panel survey of approximately 5,000 families. Comparisons of changes in self-attitudes were made between individuals who were stably employed and individuals who were employed at one time period, but unemployed at a second point in time. Self-attitude was measured in terms of satisfaction with self, and measures were taken at Time 1 and Time 2. Cohn (1978) found that individuals who were unemployed at Time 2 were significantly more dissatisfied with themselves than were the stably employed after adjusting for prior level of self-satisfaction. The effects of unemployment on self-attitude were similar for men and women. For blue-collar workers, the unemployed were significantly less satisfied with themselves than the employed. No apparent differences were found between unemployed and employed white-collar workers. However, white-collar workers with a high school degree or less education reported a significant decrease in self-satisfaction when unemployed. Finally, dissatisfaction with

self was found to be significantly greater for individuals unemployed in areas where the local unemployment rate was low. Cohn (1978) explained that these individuals were attributing the fault of becoming unemployed to themselves, an internal attribution for employment status change.

On the other hand, Hartley (1980) found that self-esteem did not decrease for managers who became unemployed. Moreover, Little (1976) discovered that some technical and professional workers had a positive attitude towards their job loss. Little (1976) was examining two competing hypotheses concerning layoffs of professional-technical employees: (1) they have a harder time with unemployment because they are at higher ranks within the organization; or (2) these middle-class workers have more resources and competence to draw upon during unemployment than the lower-class unemployed and, therefore, will have an easier experience. It was found that 48 percent of a sample of 100 technical-professional people who had lost their jobs either agreed or strongly agreed with a questionnaire item that stated that the loss of their job was not such a bad break after all.

Individuals who responded with this positive attitude placed reasons for their attitude in the following categories: general optimism concerning the future in spite of being laid off (24 percent); relief from the stressful demands of work (13 percent); expansion of their interests (13 percent); provided a needed stimulus or challenge (7 percent); and unemployment represented an opportunity (35 percent). Job tenure had little impact on unemployment attitudes. Individuals who reported low satisfaction with jobs prior to layoff had a more positive attitude towards unemployment. However, those individuals under 30 and over 50 years of age were least likely to have a positive attitude. Moreover, as the length of unemployment increased, the percentage of respondents indicating a positive attitude decreased. Finally, individuals who were having difficulties keeping busy in unemployment were less likely to view unemployment positively (Little, 1976).

In contrast to the previous study, Burke (1984) found that employees laid off when the Canadian Admiral plant closed reported less satisfaction with their lives. Specifically, those individuals who were still unemployed 16 months following the plant closing reported less life satisfaction and lower overall satisfaction. Furthermore, those employed in temporary jobs reported less life satisfaction, lower marital satisfaction, and lower overall satisfaction. Compared to the general population, former Canadian Admiral employees reported less life satisfaction, less general satisfaction, and lower marital and family satisfaction.

53

In their research on the RCA plant closing in Indiana, Perrucci et al. (1985) reported that, in general, displaced workers were pessimistic about their economic future. In terms of confidence in social institutions, there were differences reported between displaced workers and the control group of employed workers. Displaced workers reported the least confidence in national and local political leaders and institutions and in big business. In contrast, the control group of employees (who were anti-union) reported the least confidence in labor unions, Congress, and the legal profession. Finally, in a measure of belief in the "American Dream," one-third of the displaced workers versus 17 percent of the control group stated that a factory worker's children had a much less chance of getting ahead than an executive's children. Perrucci et al. (1985) interpreted their findings as indicating that displaced workers express more feelings of alienation from society than employed workers.

Noble (1987) investigated the effects of layoff and unemployment on political attitudes of laid-off workers from a steel firm in Sheffield, England. No relationship was found between the amount of time unemployed and differences in political attitudes, measured by deference to authority and feelings of solidarity. Political attitudes did not become more radical for those employees who were unemployed for longer periods of time. Noble (1987) explained that the unemployed tend to become personally isolated, less active, and exhibit feelings of powerlessness; these conditions would be effective barriers to active political thought. Furthermore, he indicated that the trauma of unemployment may lead to political attitudes becoming more fixed, since the unemployed may be trying to maintain their self-identity in a dangerous world.

In conclusion, the research has shown that unemployment can have an effect on a variety of attitudes held by displaced individuals. Negative attitudes can have implications in terms of their willingness to search for a job, relationships with family members, and their feelings of self-worth. If an individual can view the layoff positively (Little, 1976), then the break in employment may lead to a beneficial job or career change. This positive change is more likely when the displaced individual can draw on personal resources. For example, many managers and executives who were terminated have started their own businesses or consulting firms (Beaudoin, 1988; Zoghlin, 1989). Latack and Dozier (1986) proposed a model of job loss as a career transition. Several factors must be present for career growth to occur, including the availability of financial resources, social and family support, resolution of grief and anger, and the avoidance of prolonged unemployment (Latack & Dozier, 1986). However, when an individual's skills are not marketable outside of his or her

organization, it is unlikely that layoff will lead to a better job (Ashton & Iadicola, 1988).

Behavior. Often accompanying changes in attitudes are changes in behavior by displaced employees. In their review of British research on unemployment, Warr, et al. (1988) described some changes in behavior that occurred for individuals who experienced job loss. Unemployed individuals reduced their activity, restricted their social networks, and extended their involvement in domestic work, home-based leisure, and leisure that did not require money. Their attitudes deteriorated until they reached "resigned adaptation," which involves reduced aspirations and lower emotional investment in the environment. Due to their reduced aspirations, individuals withdrew from job seeking, depended on limited routines of behavior, and protected themselves from threatening events by avoiding new situations. Thus, those individuals who suffer long-term unemployment achieve less and become less (Warr, et al., 1988).

Powell and Driscoll (1973) found similar behavioral changes in laid-off scientists, engineers, and technical workers. Through interviews with these unemployed individuals, they developed a four-stage model of unemployment for middle-class professionals. They believed that the model may generalize to all types of workers.

The first stage of unemployment was a Period of Relaxation and Relief. Most of the individuals had seen the layoff coming, and were relieved that it finally happened. They were not actively searching for a job during this period, and described themselves as "between jobs."

The second stage of unemployment occurred approximately 25 days after unemployment began, and was called a Period of Concerted Effort. Individuals began organized and systematic efforts to find a job. They reported optimism about finding a job at this point, although they tended to avoid other unemployed persons. Family relationships were still good during this time and friends were supportive. The average amount of time spent in the second stage was three months.

The third stage of unemployment was a Period of Vacillation and Doubt. Individuals discovered that their normal job-seeking strategies were not working; job seeking became sporadic, and fears and doubts affected their decision-making. Individuals became self-critical, moody, angry, and frustrated. They experienced identity problems and considered changing careers. Family relationships deteriorated.

Finally, stage four was a <u>Period of Malaise and Cynicism</u>, in which the individuals attempted to protect their self-esteem through their job-seeking strategies. For example, they applied only to blind ads so that there would be no personal contact with the employer should they be rejected. Also, they only applied for jobs that matched their skills perfectly to guard against rejection. Their moods and relationships with family stabilized. However, the individuals became apathetic, listless, and felt little control over their future. They expressed a cynicism which allowed them to avoid making any major changes in their lives in order to get a job (Powell & Driscoll, 1973).

<u>Family relationships</u>. These changes in behavior and attitudes by those who experience job loss have a profound impact on family relationships. Although little research has looked at the effects of layoff on the family, some implications can be suggested. The loss of financial resources is the most obvious influence on the family well-being. Families must first deal with the adjustment to a reduced income level. For instance, families may respond with reductions in spending and cost-saving activities (Perrucci et al., 1985). Furthermore, unemployed workers who become apathetic and discontinue their job search (Powell and Driscoll, 1973; Warr et al., 1988) would exacerbate tensions because they did not restore incoming resources. A deterioration in the laid-off workers' physical or mental health would add further stress to the already tense situation. Finally, increased alcohol consumption resulting from job loss (Burke, 1984; Perrucci et al., 1985) would clearly affect the spouse and children of displaced workers.

In a study of families experiencing economic stress during the Depression, Elder and Caspi (1988) found that mothers and children became wage earners, and older children became more valuable in taking on household responsibilities. Furthermore, boys who grew up in deprived households were less likely to be hopeful, self-directed, and confident about their future compared to those without hardship. Income loss also increased chances of children's problem behavior through the mediating link of inconsistent/arbitrary parenting (Elder & Caspi, 1988).

Ross and Huber (1985) examined the effects of economic hardship and socioeconomic factors on the depression of husbands and wives. It was found that the husband's level of earnings directly influenced his level of depression. Since the traditional role for the husband is that of a breadwinner, his self-esteem may be linked to his level of income. On the other hand, a wife's level of income did not directly influence her depression. The traditional role for the wife is that

of a caretaker, and her income may serve to supplement the husband's income (Ross & Huber, 1985). Thus, income loss may have differential effects on husbands and wives who hold traditional roles in their families. However, with the increasing prevalence of dual-income households, a wife's loss of income will have a greater influence on family well-being.

Liem and Liem (1988) examined the effects of job loss on male workers and their families. They performed a longitudinal study in which husbands and wives were interviewed 2, 4, 7, and 12 months after job loss. A control group of employed workers and their families was matched to those who had lost their job for purposes of comparison. Liem and Liem (1988) found that husbands' unemployment and emotional response to the unemployment affected their wives' well-being. The wives of unemployed workers reported significant increases in negative psychological symptoms four to five months after job loss. Furthermore, both unemployed husbands and their wives perceived that the husband's performance in his role in the family had declined at the two-month interview. Decline in the wife's role performance was not perceived until the second interview at four months.

Another indication of the impact of unemployment on family relations was the seven to two ratio in terms of separations and divorces reported between unemployed and employed families. Furthermore, deterioration in family climate was reported by unemployed families, with changes most prominent at the four to five month interviews. Husbands and wives in unemployed families reported significantly less cohesion and more conflict. Unemployed families did not report changes in family norms concerning the division of labor between spouses. However, in terms of tasks actually performed by spouses, unemployed spouses were more equal in their division of labor. In other words, unemployed husbands performed more tasks traditionally reserved for the wives (Liem & Liem, 1988).

Summary

Although the immediate impact of layoff for the victim is a loss of income, job loss can result in a number of unexpected changes in the victim's life. A loss of income may lead to adjustments in the individual's standard of living. Unemployment may last even after unemployment insurance runs out, which can severely reduce the individual's ability to feed and clothe his or her family. Job loss can lead to psychosomatic symptoms, depression, anxiety, low self-esteem, and apathy. It can also damage family relations, especially when the layoff victim engages in increased alcohol or drug use. In addition to impacts on displaced workers, an organization's reduction

strategies may also have several unintended consequences for employees who remain with the organization.

## Surviving Personnel

Much of the literature on downsizing addresses those who are terminated because they experience the most salient negative impacts. But RIFs are typically accompanied by strategies directed at surviving personnel. The impacts of RIF on surviving personnel are critical in terms of the organization's ability to adapt to threatening environmental contingencies. Survivor responses to downsizing will ultimately affect organizational effectiveness.

## Effects of Strategies Targeting Survivors

Downsizing strategies directed at personnel who remain with the organization include transfers, demotions, work sharing, reduced hours, retraining, and job redesign. These strategies may have serious and enduring influences on the affected employees. For example, when AT&T was restructured, uncertainty about their jobs was related to stress experienced by AT&T employees (Ashford, 1988). Survivors must adapt to the post-reduction organization. Bridges (1986) described transition as a three part psychological process. The first step includes letting go of the old role, and can be characterized as disengagement, disidentification, and disenchantment. The second part is a neutral zone between the old and new situations, which includes disorientation, disintegration, and discovery. Finally, the last step is accepting the new role and new purpose of the organization (Bridges, 1986). Although both the entire organization and individuals in the organization go through psychological transitions, the two processes are rarely synchronized. This presents a challenge to managers during organizational transition (J. Brown, 1990). Managers must assist survivors in their adjustment to the new work environment.

A report by the U.S. General Accounting Office (GAO) indicated that when the U.S. Office of Personnel Management downsized in fiscal year 1982, there was some evidence that the transition was not smooth for surviving employees (GAO, 1983). In response to the Reagan Administration budget cuts for nondefense executive branch agencies, OPM reduced its workforce through attrition, hiring freezes, layoffs, furloughs, demotions, details of employees to other agencies, and the abolishment of several programs. The RIFs were also in response to the current Director's efforts to return "back to basics" by focusing on traditional central personnel agency responsibilities. For example, OPM terminated an intergovernmental personnel grant program, terminated its consulting services for other agencies, and de-

emphasized research in areas such as productivity and compensation (GAO, 1983).

However, the reductions were disruptive to surviving employees. Some employees reassigned to new positions had to return to their old jobs to complete ongoing projects or train replacements. Officials at several agencies who used OPM assistance felt that they would benefit from the reductions, since they would have more independence and flexibility. However, two officials believed that OPM had lost staff expertise through its reductions and reported that OPM employees were unsure about OPM's role and policies in certain areas. Further, they reported that OPM staff morale was low because they refused to accept the current Director's philosophy (GAO, 1983). Thus, when the transition to new work roles is not smooth, negative consequences for the survivors and the organization itself can occur.

Role changes. Several strategies have outcomes that may be positive or negative for the survivors. When an organization redesigns jobs or retrains employees to perform new jobs or new duties, the employees face added responsibilities on the job. Employees may perceive this new skill acquisition and added responsibility as a greater amount of personal control over the job (Greenberger & Strasser, 1986; Osborne, 1990). They may feel, for example, that they are making a larger contribution towards the achievement of organizational goals, or that they are empowered (T. Brown, 1990). However, if employees are given too many new responsibilities, they may feel overburdened (Byrne, 1988a). They may experience stress and role ambiguity, and feel less satisfied with their job (Appelbaum et al., 1987). If they become responsible for additional duties because a coworker has been terminated, they may feel that they are under-compensated for the amount of work they must complete. When Exxon downsized its workforce, some people were given responsibilities once handled by three to four people (Byrne, 1988b). This suggests that these employees may have felt overloaded with job responsibilities. Employees who feel role overload may leave the organization, and the top employees will most likely be the ones to find better jobs (Greenhalgh, 1980). As the best quality employees leave, organizational effectiveness will decrease.

Olson and Tetrick (1988) examined whether the restructuring of a large Midwestern company affected role perceptions, satisfaction, and relationships among organization members. Employees were surveyed one year before restructuring was mandated, and three months after restructuring began. After controlling for organizational level and tenure, no significant influence of restructuring was found on company/job satisfaction, role clarity, role overload, and relationship with supervisor. They attributed the failure to find an

effect to the organization's efforts to communicate anticipated changes to employees in order to minimize adverse outcomes. For employees in their current position for less than one year at the time of the second survey (i.e., employees transferred to new jobs), restructuring was found to influence satisfaction with supervision and security. Transferred employees may have felt greater satisfaction with security because they interpreted their reassignment as an indication of stable employment with the company. The finding that reassigned employees were more satisfied in their relationships with supervisors may indicate that supportive relationships developed due to greater uncertainty in the post-restructuring environment (Olson & Tetrick, 1988).

Transfers and relocations. Transfers to new jobs within an organization may be a beneficial experience for employees. However, when the transfer also requires relocation to a new area, employees may feel negative about the change. When Chevron Oil acquired Gulf Oil in 1984, Gulf's headquarters in Pittsburgh was closed, and employees were transferred to Chevron's headquarters in San Francisco. Many former Gulf employees were unhappy because their lives were disrupted by the move across the country (Hirsch, 1987).

Relocations may have serious implications for an employee's family. Zedeck and Mosier (1990) explained that companies may experience difficulties in providing relocation assistance to employees due to the employees' resistance to moving. Underlying this resistance is the increasing prevalence of women in the workforce and the increase in dual-career marriages. When both spouses are employed, individuals are more constrained in their freedom to pack up and move to a new location. Also, resistance to company-initiated moves may be prompted by fear of potential disruption of the whole family and a desire to remain close to parents or extended family members (Zedeck & Mosier, 1990). Organizations and families should be taken into account when making decisions that affect both systems (Renshaw, 1976). Miller and Labovitz (1973) found that when a division occurred in a social research organization, individuals were influenced by coworkers and family in deciding whether to leave for a newly-created organization. Married and unmarried people with no children were more likely to leave the old organization. Further, individuals were more likely to leave when highly-esteemed coworkers, information contacts, and friends decided to leave (Miller & Labovitz, 1973).

Fox (1979) examined the impact of a planned relocation of a manufacturing firm in Israel on the apprehensions of employees. Employees felt that the organization's main considerations in the decision to transfer were economic, technical, and environmental.

They did not believe that there was sufficient consideration of the effects on employees, especially on veteran employees for whom transfer would demand a significant change in life pattern. On a survey measuring employees' preferences and plans, Fox (1979) found that the greatest majority would prefer to stay in the current location. Seventeen percent stated that they would not continue working after the transfer, whereas 37 percent were in doubt. Women in nonmanagerial positions declared an intention of leaving the plant after relocation more frequently than nonmanagerial men. Women were less apprehensive in terms of possible changes in the job situation, but were more apprehensive concerning difficulties due to the distance. Fox (1979) explained that differences between men and women probably reflected differences in sex roles because women are responsible for childcare. Being away from home for a longer period of time and making special arrangements due to relocation would probably add stress to the women's lives.

In an examination of the relocation of an Israeli government agency, Fox and Krausz (1987) measured employees' intent to transfer, positive feelings concerning the relocation, and stressful reactions to the transfer. This government organization was to relocate 60 kilometers away to another major Israeli city. Their study measured a number of possible factors affecting intent to transfer, positive feelings, and stressful reactions. Measures were collected a few days before the final move occurred. Most respondents intended to transfer and reported low levels of both positive feelings and stressful reactions towards the relocation. It was found that perceived family attitudes towards the transfer correlated most strongly with the intention to transfer. Another interesting variable that correlated with intention to transfer was the employee's estimate of coworkers' intentions to transfer. Work prospects for the employee in the old location were most strongly related to stressful reactions to the relocation. Most variables in the study were related to positive feelings about the transfer, although many of the correlations were low. Anticipation of work and nonwork changes were most strongly correlated with positive reactions (Fox & Krausz, 1987).

This study indicated that the family is a potential source of support and cooperation that has been overlooked by organizations when implementing relocations. For example, to gain support of the spouse towards the move, employment search services for the spouse could be offered. Another important variable to consider is any group dynamics that may influence intention to transfer; for example, coworker pressures or intentions to transfer may influence an employee's decision to relocate (Fox & Krausz, 1987).

The fact that most respondents intended to transfer may have been the result of several unique changes that accompanied the relocation. For example, the new site was made up of new, modern office buildings that were a marked improvement over the old site. Further, employees were able to delay their final decision to relocate residency to the new city for two years. During that time they were provided free transportation to the new site. Also, the work week was reduced from six to five days (Fox & Krausz, 1987). However, it is more often the case that the disadvantages of relocation outweigh the advantages. This may result in employees who are dissatisfied with their jobs or employees who leave the organization.

Demotions. The use of demotions as a reduction strategy has a number of negative influences on employees. Employees may experience a significant cut in pay that may affect their standard of living. They may become dissatisfied or unhappy that they are in a lower position within the organization, especially if they spent years working their way up through the ranks. However, sometimes an employee must accept a demotion in order to keep a job in an organization. For example, when Exxon reduced its workforce, a number of executives accepted positions two to three levels below their former jobs just to remain with the company (Byrne, 1988b). However, employees who are demoted may become less committed to the organization and less involved in their jobs.

Schlenker and Gutek (1987) investigated the impact of demotion for social workers in a public social service agency. This agency reassigned social workers to administrative and clerical positions on the basis of seniority; those social workers with the least seniority at each job classification level were demoted. Schlenker and Gutek (1987) compared 66 reassigned and 66 nonreassigned social workers to examine the effects of role loss on the demoted employees. They found no significant difference between the reassigned and nonreassigned groups in terms of professional role involvement and professional role identification. Reassigned workers still identified with their professional occupation. However, the reassigned workers' loss of work role was associated with lower levels of self-esteem and job satisfaction, and higher reported intentions to leave the job.

Work sharing, part-time schedules, and reduced hours. There may be positive or negative outcomes associated with reduced work hours, part-time schedules, or work sharing strategies. For example, Motorola implemented a work-sharing program in 1982 in which 15 percent of its employees were given shorter work weeks. Work sharing may have positive benefits for organizations because it reduces the cost of hiring and training new employees if things pick up. As an alternative to layoffs, it may lead to greater morale among employees.

Furthermore, some employees may value three-day weekends. Work sharing may also save the jobs of minorities and women by spreading the pain of reductions to higher-seniority workers. However, these higher-level workers may resent being affected by such reduction strategies (Watford, 1986).

Work sharing, part-time schedules, and reduced hours can have negative consequences for surviving employees. The most obvious consequence is a reduction in income due to fewer hours being worked. Employees may have to make adjustments in their standard of living, although their economic adjustments may not be as considerable as those made by layoff victims. In some cases, upper level management may take pay cuts to show employees that they too are making sacrifices (Flint, 1987). However, the literature has not addressed outcomes for employees experiencing these types of reductions.

It is clear that employees may react strongly to downsizing strategies that affect their welfare directly. They may also react unexpectedly to layoff and early retirement strategies even when they are fortunate enough to remain with the organization.

Survivor Reactions to Reductions-in-Force

Although employees who remain in an organization following downsizing have "survived" the reduction, they may not feel very optimistic about their situation. After watching fellow workers being forced to leave the organization, they may wonder if they are next (Greenhalgh, 1983). Their morale may decrease when friends are laid off; furthermore, they may feel overburdened if they must take on responsibilities once held by former coworkers (Byrne, 1988a). Loyalty to the organization may erode since the organization no longer insures their job security (Goldstein, 1986). Finally, employees may feel a loss of control over their futures (Nussbaum, 1986) when they see the organization terminate careers of fellow employees.

Isabella (1989) described five dangers that may occur if an organization fails to address the needs and morale of its surviving employees: the loss of the best employees; stress and burnout; dysfunctional, maladaptive, or bizarre behavior; apathy and withdrawal; and negative attitudes. Employees who perceive a lack of job security may try to leave the organization, and high quality employees will be more likely to find new opportunities. Under RIF, these are the employees that must be retained if the organization is to become more effective. Employees who must handle added responsibilities may feel stress and burnout. Moreover, survivors anxious about further layoffs may engage in bizarre behavior. For instance, engineers in a manufacturing company searched through the

trash to find a typewriter ribbon cartridge with the names of employees to be terminated (Isabella, 1989). Further, survivors may lose their commitment to the organization, or their involvement in the job, and they may develop negative attitudes towards the organization.

Atari's reduction efforts provide a prime example of how not to downsize (Sutton et al., 1985). When faced with decreasing consumer demand for home video games, Atari began laying off employees. However, they were laying off more lower level employees than upper level management. Furthermore, laid-off employees were given no notice, and some were escorted off the premise by security guards. There was also little communication between departments in order to transfer unneeded employees from one unit to another. Sometimes Atari would have to call back a laid-off employee soon after layoff, and that employee would have already received severance pay.

Surviving employees reacted very negatively to the downsizing. Morale decreased when employees saw that lower level workers were being laid off, whereas upper level management was not experiencing reductions. The humiliating treatment of laid-off employees sent a message to those remaining to leave as soon as possible. Some Atari managers belittled those they had laid off, but employees believed that the layoff victims were competent workers and perceived management to be lying. Because Atari management did not keep employees informed during the downsizing process, work suffered as employees compared rumors about what was happening. Finally, although Atari management sponsored Friday afternoon parties in order to boost morale, employees resented these parties as a waste of money during a time when fellow workers were losing their jobs (Sutton et al., 1985).

Managers planning workforce reductions must be aware of the reactions of both terminated personnel and surviving employees to their downsizing actions. Negative reactions can have a profound impact on productivity and morale (Allen, 1990a, 1990b), which can then decrease the organization's ability to remain competitive in a declining environment.

Conceptual issues. Greenhalgh (1983) described a conceptual model of job insecurity within the context of organizational shrinkage. Reductions-in-force are usually handled in ways that exacerbate job insecurity. Job insecurity is defined as feeling powerless to maintain desired continuity in a work situation (Greenhalgh & Rosenblatt, 1984). Employees may fear losing valued features of the job as well as the job itself. Some job features that may be lost during a reduction may be status, contact with workplace friends, privileges, flexibility, resources, and subordinates.

Greenhalgh's (1983) model considers how the employees judge the continuity of their work situations, and how they react to what they perceive. Workers' reactions to an organization in decline impair the functioning of the organization and make it less able to meet the contingencies of its environment. The increase in organizational decline (maladaptation) is observed by employees who become more insecure and have stronger negative reactions. The reactions further impair the organization's effectiveness, and the cycle continues.

Feelings of job insecurity change employees' work attitudes; these changes then affect productivity, turnover, and the organization's adaptability. When employees feel insecure about the future of their positions, they may decrease their work effort and commitment; furthermore, valuable employees may choose to leave the organization and look for a better situation. The organization's ability to adapt to its environment becomes impaired when job insecurity engenders employee resistance to change. Employees traumatized by an organization's downsizing activities will cling to whatever stability exists in their lives. Therefore, they will be unwilling to change standard job practices and to adopt other changes necessitated by a RIF and restructuring in response to environmental constraints on the organization. Greenhalgh (1983) recommended considering attrition and hiring freezes as initial downsizing strategies. If layoffs are necessary, all cuts should be made simultaneously. Then remaining employees should be given a no-layoff guarantee. The worst way to conduct layoffs is in waves because continuity of unemployment becomes unpredictable. Employees become "virtually paralyzed" on the job waiting for their terminations to occur (Greenhalgh, 1983). Furthermore, the reductions should be made openly and expediently so that the organization can begin to rebuild immediately (Greco & Woodlock, 1989).

Greenhalgh's (1983) conception of the organizational decline-job insecurity cycle is a clear description of the unintended consequences that workforce reductions can have for the organization. Little research has been performed on job insecurity, although Greenhalgh (1982) did examine the effect of layoff on job security, productivity, and propensity to leave the organization. In his study, two hospitals were to be merged, and unnecessary employees were to be laid off. Because of union pressure to protect its employees and civic pressure not to worsen local labor market conditions, only seven employees were actually laid off. However, compared to employees in a private hospital that was not experiencing reductions, surviving employees in the merged hospitals reported significantly lower feelings of job security, lower productivity (not significant), and higher turnover propensity (not significant). These survivor reactions occurred even

though only seven employees were ultimately laid off, and both hospitals actually remained open under a single administration.

Brockner and his colleagues (1985, 1986, 1987, 1988) have performed a series of studies on survivor reactions to layoffs. Brockner (1988) has developed a conceptual model that focuses on factors that moderate individuals' reactions to layoffs of fellow workers. A wide variety of survivors' work behaviors and attitudes may be influenced by layoffs, including productivity, organizational commitment, and attitudes towards coworkers. Three major components of the conceptual model, shown in Figure 2, are:

(1) Layoffs have the potential to produce a variety of psychological states in survivors including job insecurity, positive inequity, anger, and relief;

(2) These psychological states have the potential to influence survivors' work behaviors and attitudes;

(3) Several factors moderate the actual impact of layoffs on survivors.

Moderating factors may influence that impact at the link between layoffs and survivor psychological states, or at the link between psychological states and survivor work behaviors and attitudes. Moderating factors fall into five categories: (1) the nature of the work; (2) survivor individual differences; (3) formal organization (programs); (4) informal organization (values, norms, interpersonal relationships); (5) environmental conditions (market conditions).

Brockner (1988) noted that literature on equity theory and organizational stress are pertinent to the study of survivor reactions. Regarding equity theory, survivors may question whether laid-off employees were treated fairly or equitably by the organization. Survivors may experience positive inequity, or the feeling that laid-off employees did not deserve to be terminated any more than they would have. Employees may then experience "survivor guilt" and work harder to decrease their sense of inequity. On the other hand, survivors may experience negative inequity if they perceive the layoff as unfair and they strongly identify with layoff victims. In that case, survivors may become angry and their work motivation may decrease.

Literature on organizational stress is also applicable to survivor reactions (Brockner, 1988). Survivors may experience tension on the job because of feelings of job insecurity. They may also feel uncertain that they have the resources and coping abilities to deal
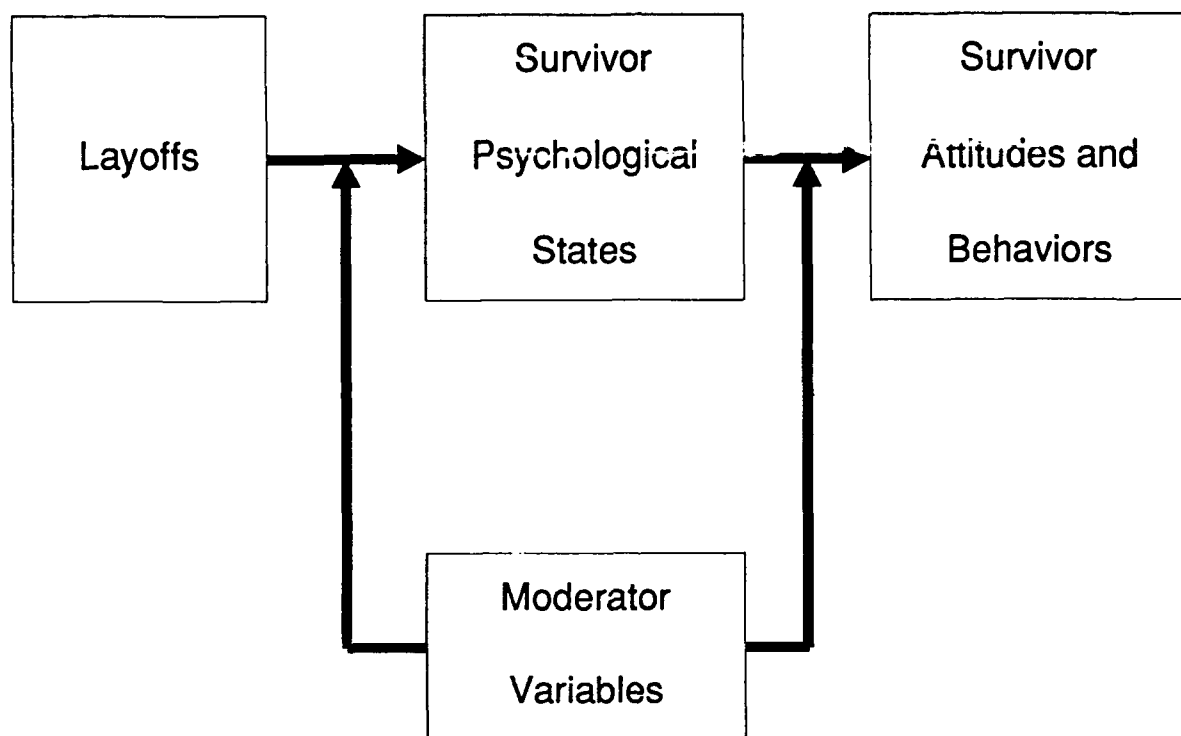
Figure 2. Model of Survivor Reactions to Layoffs.

Adapted from:    Brockner, J. (1988). The effects of work layoffs on
                      survivors: Research, theory, and practice.
                      Research in Organizational Behavior, 10, 213-255.

with the demands of the new work environment.  Stress may then lead to changes in survivor behaviors and attitudes.  For example, commitment may suffer, satisfaction may decrease, turnover may increase, and work performance may be altered.

Impacts on survivors.  Brockner, Davy, and Carter (1985) performed a laboratory experiment to study the effects of layoff on survivors.  They believed that survivors of downsizing will feel overreward inequity because their input/output ratio is higher than that of their laid-off counterparts.  In order to reduce their anxiety and sense of guilt that they survived, they should increase their level of output.  Brockner et al. (1985) also examined the impact of the survivors' self-esteem on their reactions to the layoff.

The experiment required undergraduate subjects and a confederate to perform proofreading tasks.  In the layoff condition, a room scheduling problem prevented both workers from being able to complete the task.  Lots were drawn, and the confederate had to leave the experiment receiving no "class credit" for participation.  The undergraduate subject would then perform a second proofreading task, and differences in performance on the two proofreading tasks were measured in terms of quality and quantity.  In the control condition, the confederate was not laid-off and the subject performed the two proofreading tasks.  The subject's self-esteem and affective states were also measured.

In terms of quantity (number of lines read), subjects performed higher on the second task; this was especially true of subjects in the layoff condition.  Subjects in the layoff condition who were low in self-esteem performed even higher in terms of quantity.  Subjects in the layoff condition reported feeling more lucky, sorry for the other person, glad, and more guilty.

Brockner, Greenberg, Brockner, Bortz, Davy, and Carter (1986) expanded on this laboratory design by looking at two layoff conditions, random layoff and layoff based on merit.  In the random condition, the confederate was laid off based on drawing lots.  In the merit condition, the confederate was laid off because his or her performance level was lower than the subject's.  In the control condition, the confederate was not laid off.  Brockner et al. (1986) hypothesized that subjects in the random layoff condition would experience positive inequity, and would thus restore a sense of equity by increasing their output.  Because subjects in the merit condition believed that they had performed better than the layoff victim, they were expected to restore equity psychologically rather than through an increase in performance.

Brockner et al. (1986) found that the greatest increase in productivity (quantity) and the greatest decline in quality (percentage of errors correctly identified) occurred for the random layoff condition. This was followed by a moderate decline in the control condition, and the least decline in the merit condition. Subjects in the merit and random layoff conditions reported feeling more guilty and more sorry for the confederate and they also perceived positive inequity in their treatment.

Brockner, Grover, Reed, DeWitt, and O'Malley (1987) further extended this work by examining additional variables in a lab experiment and adding a field experiment. They based their hypotheses for these studies on justice theory. There are two types of survivor reactions to layoffs: distancing themselves from the laid-off employees, or distancing themselves from the organization. Two variables will affect whether survivors distance themselves from the organization or the layoff victims. One factor is the extent to which the organization is perceived to have been unfair to the dismissed workers, and the other factor is the survivors' prior identification with the layoff victims. Brockner et al. (1987) hypothesized that survivors would react negatively towards the organization when they perceive that the laid-off workers were treated unfairly and when they strongly identified with the laid-off workers.

In the laboratory experiment, there were three layoff conditions. Uncompensated layoff occurred when the confederate was made to leave without receiving payment for participation. Compensated layoff occurred when the confederate received a reduced amount of money, but had to leave the study. The third condition was the control in which the confederate was not laid off. Prior to participation, subjects completed an attitudinal survey. In the high identification condition, subjects were shown that the confederate's attitudes on the survey were similar to their own. In the low identification condition, confederates were portrayed as having attitudes very different from those of the subjects. Results indicated that subjects in the high-identification/uncompensated-layoff condition exhibited the least increase in performance quantity from the first to the second proofreading task. This supported the prediction that those individuals who highly identified with the layoff victim and perceived the layoff as unfair would become the most demotivated.

In their field study, Brockner et al. (1987) examined the effects of layoffs in a 773 store retail chain that had recently closed many of its outlets. Surveys were sent to randomly selected stores. Employees were asked how well they believed the organization had compensated the laid-off workers. They were also asked to rate how close they were to the laid-off workers. Brockner et al. (1987)

examined the effect of the survivors' perceptions of the fairness of
layoff and their identification with the layoff victims on the
survivors' organizational commitment. Survivors estimated how their
commitment to the organization had changed since the layoffs began.

It was found that those who highly identified with the layoff
victims reported the largest decline in organizational commitment.
Survivors were divided into four groups in terms of high vs. low
perceptions of compensation and high vs. low identification with the
victims. The high-identification/low-compensation group showed the
greatest decrease in organization commitment. It was interesting to
note that the perceptions of the organization's compensation to
victims varied greatly, although the organization offered basically
the same compensation to all layoff victims. This suggests that when
an organization is reducing its workforce, it should clearly
communicate to survivors whatever compensation and aid it is providing
to terminated employees. Otherwise, survivors who perceive that
employees were laid-off with little help from the organization may
become less committed to the organization, and their performance may
decrease (Brockner et al., 1987). If the survivors were close friends
with the laid-off employees, this could present even more severe
problems for survivor morale.

Finally, Brockner, Grover, and Blonder (1988) examined the
relationship between layoffs and the subsequent job involvement of
survivors. They hypothesized that survivors' motivation and ability
would moderate the relationship between the stress of the postlayoff
environment and subsequent job involvement. Work ethic and prior
history of role ambiguity were measured because they were thought to
indicate motivation and ability. It was hypothesized that when severe
layoffs occur, they would cause so much stress that the moderating
variables would not have an impact.

Individuals from four organizations, divided into mild layoff
(one organization) and severe layoff conditions (three organizations),
were studied. These individuals were white-collar professional and
technical employees who performed basic and applied research. It was
found that job involvement was greater in the mild layoff condition
compared to the severe layoff condition. It was also found that in
the mild layoff condition, individuals with high work ethics were more
involved in the job than those with low work ethics. Furthermore,
individuals who reported higher previous role ambiguity were less
involved in their jobs than those reporting low prior role ambiguity.
In the severe condition, neither work ethic nor the prior amount of
role ambiguity were significantly related to job involvement. It may
be that severe layoffs cause so much stress that individual
differences in work ethic and prior role ambiguity will not have an

impact on subsequent job involvement. Brockner et al. (1988) suggested that managers can attempt to identify individuals "at risk" of lower job involvement when layoff occurs.

Brockner and his colleagues (1985, 1986, 1987, 1988) have shown that layoffs can affect survivors in a number of ways; layoffs can influence their sense of fair treatment of victims, their performance, and their job involvement. However, Brockner (1988) advocated the examination of the phenomenon at additional levels of analyses besides individual level reactions to layoffs. By using theories of group behavior and organizational structure, the effects of workforce reduction on larger units in the organization can be identified. Staw, Sandelands, and Dutton (1981) posited that environmental threats may lead work groups to become more cohesive. These groups would seek consensus in their decisions, but reaching consensus might involve supporting the leader's position, restriction of information, and ignoring divergent opinions.

Krantz (1985) discussed the impact of organizational decline on group effectiveness using Bion's (1961) theory of group processes. Bion (1961) focused on the impact of individually experienced anxieties and stress visible in the collective behavior of task groups. He described two levels of group functioning. The "work-group" exhibits mature, reality-oriented behaviors that are aimed at completing the group task. The "basic assumption group" serves to relieve member anxieties. When faced with increased anxiety, group members may revert to less-mature forms of behavior that serve as primitive defenses. These behaviors are manifested collectively as dependency groups, flight or fight groups, or pairing groups. There is a reciprocal relationship between individual psychic processes and the social systems created by members: unconscious strategies to contain anxiety and doubt are objectified as formal structures and informal traditions. Under conditions of retrenchment, flexible decision-making and novel plans for dealing with the environment are necessary; however, social defenses are rigid and unable to accommodate flexible demands of task performance.

To illustrate his theory, Krantz (1985) described the closing of a school for disturbed adolescents and the dysfunctional behavior exhibited by school staff. It was announced that the school would have to close in five to eight months. Although the closing was due to a revised regional plan, the staff took the closing personally. They experienced feelings of persecution and failure and were pessimistic about finding future employment. The staff bonded emotionally in response to their situation, but their performance soon decreased after the announcement of the closing. For example, support staff (e.g., maintenance, cooking, housekeeping) reported that the

71

school staff was slipping in their responsibilities. They also noticed that there was a growing inattention to the children by the care staff. Evidence of denial by the care staff included the fact that they did not fully inform spouses about what was going on. Krantz (1985) concluded that managers should allow for the mourning process after organizational decline. Angry and depressive phases should be encouraged and acknowledged so that employees will deal with their losses in a more mature fashion.

## Summary

When organizational downsizing impairs the functioning of work groups, the ability of the organization to remain effective and competitive is clearly damaged. A poorly managed downsizing process will result in employees who feel overburdened (Byrne, 1988a), dissatisfied (Schlenker & Gutek, 1987), insecure (Greenhalgh, 1983), less committed to the organization (Brockner et al., 1987), and more willing to leave (Schlenker & Gutek, 1987). Strategies directed at survivors as well as strategies targeted primarily at terminated personnel can have significant impacts on survivor attitudes and behaviors. Although the purpose of the reduction is to save the organization from decline and possible dissolution, a poorly managed downsizing process may accelerate the descent into irreversible decline (Weitzel & Jonsson, 1989).

## The Organization

The negative outcomes of organizational downsizing for displaced and surviving employees will ultimately influence an organization's ability to remain operative and competitive. However, well-managed organizational downsizing can have several positive consequences for the organization, such as decreased costs and increased efficiency, that clearly improve organizational effectiveness.

## Cost Savings

Since most organizations are attempting to cut personnel costs through their reductions, it is expected that downsizing will result in substantial cost savings. After Exxon was restructured and its workforce was reduced, it began earning $48,400 per employee in annual profit. Those earnings were greater than those of any other major corporation (Byrne, 1988b). DuPont reported saving $230 million in after-tax labor costs after implementing downsizing (Kuzmits & Sussman, 1988). General Electric also reported profits after its restructuring and workforce reduction. From 1980 to 1984, GE's sales had risen 12 percent, and earnings increased from $1.5 billion to $2.3 billion (Cortes-Cormerer, 1986).

## Efficiency and Effectiveness

When downsizing is part of a planned effort to streamline an organization, it can also result in greater organizational efficiency or effectiveness. This may include lower costs, faster decision-making, more accurate communications, and quicker responses to competitors' actions (Tomasko, 1987). Of course, the proper number of employees necessary to accomplish the work must be determined before downsizing or effectiveness may actually be harmed (Helton, 1988). If layers of management are reduced, redundant positions are eliminated, or unnecessary divisions are dissolved, then presumably communication will flow more quickly and decisions will be made in time to adapt to organizational demands. For example, United Technologies restructured by jettisoning marginal operations and focusing only on those companies that did well. Dozens of plants were shut down, management layers were reduced, and a council of engineers was created so that its companies could share technology. By putting the "united" back in United Technologies, they hoped to increase efficiency. Since companies would no longer be isolated from one another, they could share ideas and technological resources (Mitchell, 1988).

As part of a restructuring, IBM planned to reduce its corporate headquarters staff from 7,000 in 1985 to 2,000 in 1989. A number of the headquarters staffers were transferred to operating units, and decision-making was transferred to their new unit, IBM United States. It was expected that the decentralization would increase IBM's speed and effectiveness because decisions would be made at lower levels in the organization. Cincinnati Milacron Inc., a machine-tool builder, also reduced its corporate staff from 400 to 200. About half of the employees were transferred to the "focused factories" that would each have full profit-and-loss responsibility. It too expected to increase its effectiveness because decisions could be made quickly within the focused factories, where problems actually occurred (Sheridan, 1988).

In contrast, Iowa's state government was challenged with centralizing a highly decentralized structure that participated in dispersed decision-making. As noted in a prior section of the report, the Iowa government was facing reduced revenue due to a deterioration in its farm-based economy (Carney, 1987). Restructuring and downsizing of the state government were implemented to reduce costs and strengthen future state management. Departments were grouped according to major functions to allow related departments to work together. Programs that had not been implemented yet and those that had been completed were cut, unfilled vacancies were eliminated, and early retirement packages were offered. Iowa's downsizing efforts resulted in $40 million in savings. However, the downsizing and

restructuring also resulted in increased control over resources, and greater accountability to the governor (Carney, 1987). This centralization was viewed as increasing the state's efficiency in providing services.

When poorly managed, a reduction-in-force may result in decreased efficiency. The Department of Defense (DoD) performed several across-the-board reductions of its headquarters staff that did not achieve consistent or effective results. The U.S. General Accounting Office found that headquarters streamlining should be accomplished after an analysis of the work performed by staff. Since the workload at DoD did not decrease along with the staff reductions, survivors became overburdened and demoralized (GAO, 1978). A similar problem was found in the Defense Audit Service, where staff reductions were accomplished without a detailed analysis of staffing needs. The Service was staffed at half the required level and was unable to provide adequate coverage. Finally, personnel ceilings in DoD restricted management flexibility in using the most efficient sources of labor (GAO, 1978).

Unexpected Costs

Although downsizing may engender positive results in terms of cost savings, efficiency, or effectiveness, there are a number of unexpected organizational outcomes that may offset the positive outcomes. For instance, although DuPont reported large savings due to its downsizing efforts, problems were encountered with its early retirement strategy. DuPont offered early retirement incentives to its employees, expecting 6,500 employees to accept the offer. However, 11,200 employees actually retired, and DuPont was forced to hire many of these people to work as consultants on vital projects (Kuzmits & Sussman, 1988). Therefore, these people received early retirement incentives as well as being paid salaries as consultants. DuPont did not achieve the savings it expected with its early retirement strategy. During the planning stage, management should be careful that incentives are not too great or the early retirement "window" is not so large such that too many people leave (Seibert & Seibert, 1989).

One part of Exxon's downsizing efforts was to reduce the levels of executives in the corporation. However, this has created problems for Exxon's executive development programs. Exxon has relied on internal job experience to groom its executives for higher level positions. Since the number of executive levels were cut, there are fewer jobs and regions to which their future leaders can be sent to gain valuable job experience and to improve their judgment and outlook (Byrne, 1988b). Thus, although Exxon achieved enormous cost savings,

its downsizing and restructuring have limited the opportunities for executives to become qualified for leadership positions.

Although it appears that layoffs are a quick and easy way to achieve cost savings, the use of layoffs may include hidden costs that were not considered during the downsizing process. Greenhalgh and McKersie (1980) developed a balance sheet comparing first-year costs of layoff strategies versus natural attrition for a state government. They based estimated costs on statistics they had obtained during a study of reductions-in-force by New York State. They simulated a 5 percent reduction-in-force for a 2,100-employee state institution. They showed that natural attrition is actually more cost-effective than layoffs, even in terms of first-year cost savings. When layoffs are implemented, there are a number of costs that the state government must absorb as a result of the layoffs. These costs include: losses due to voluntary quits; lost productivity due to job insecurity; unemployment insurance chargebacks; lost state income tax revenues; the cost of a preferred hiring system; and losses due to increased alcohol abuse on the job. Several other costs could not be estimated in dollar terms, including damage to the state's image as an employer, resistance to change by surviving state workers, increases in grievances, lawsuits, and increased use of social agencies by laid-off workers.

Greenhalgh and McKersie (1980) suggested that some of these results, such as lost tax revenues and social costs, would be more salient at the federal level. They advised that state and federal governments should consider prohibiting layoffs as a primary reduction strategy when all costs are considered. In contrast to layoffs, attrition is a series of steps to be implemented that is part of a well-developed workforce plan. New York State was a prime example of a lack of workforce planning; between 1971 and 1978, the state rehired 71 percent of the workers it had originally laid off (Greenhalgh & McKersie, 1980). A successful workforce reduction requires careful planning and design in order to anticipate and prevent additional costs from negating expected savings.

Lawsuits. When an organization has not been careful in handling its downsizing efforts, it may face class action lawsuits from certain protected groups or other disgruntled employees. Further, when the organization and union negotiate a reduction, they may face breach of contract or breach of fair representation suits by unhappy employees (Murphy, Barlow, & Hatch, 1985). These lawsuits can prove costly to the organization in terms of court costs, payments of damages, and its reputation to the community. For example, when GE restructured and laid off many employees, several lawsuits were filed against GE for age discrimination. Age discrimination had been a problem especially

for engineers age 55 and over who felt they were easy targets for managers' downsizing efforts. In some of the age discrimination cases, plaintiffs collected damages; in others, GE settled out of court (Cortes-Cormerer, 1986). In either case, GE faced expenses that were not anticipated in its downsizing plans.

Employees laid off from Atari filed a class action suit against the company for the poor way that Atari handled its workforce reduction. In some cases, employees were told when they arrived to work that they were laid off as of that moment, their badges were taken, and they were escorted off the premises by security guards. These employees felt humiliated, and the morale of remaining employees decreased because of Atari's mishandling of its downsizing (Sutton et al., 1985).

Organizational image. The downsizing strategies used by an organization affect that organization's reputation as an employer (Dull, 1986). Surviving employees, displaced workers, and individuals in the outside world form impressions of the organization based on how it handles its retrenchment. For instance, Atari's reputation in the business community was damaged by its poor treatment of terminated employees. Because Atari management reacted to environmental constraints instead of proactively implementing a well-planned workforce reduction, they hurt their image as an employer. Atari eventually failed in its downsizing efforts; it was sold in 1984, with only 1,000 of the original 7,000 employees remaining (Sutton et al., 1985). Because downsizing may result in unfavorable publicity (Hardy, 1987), an organization must actively rebuild its image in the community (Appelbaum et al., 1987).

On the other hand, an organization that plans reductions carefully, and considers the impact of its actions on employees, can improve its image as an employer. For example, the IBM memory chip plant that implemented strategies less harmful to its employees showed a commitment to its people that was reflected in employee commitment to the company (Greenhalgh et al., 1985). When Mary Kay temporarily loaned employees to other companies instead of terminating them, it also exhibited a commitment to provide for the welfare of its employees (Halcrow, 1985). It is important to remember that an organization's downsizing tactics may influence employees' willingness to remain with the organization, as well as the willingness of individuals to apply for positions with the organization in the future (Greenhalgh & McKersie, 1980).

## Survivor reactions

As detailed in the previous section, survivor reactions to reduction strategies may have a profound impact on organizational effectiveness. Sutton and D'Aunno (1989) have proposed a conceptual model of organizational decline due to workforce reduction. Reduction leads to anxiety among survivors and a decreased organizational need for coordination and control. This may seem counterintuitive, but Sutton and D'Aunno (1989) explain that survivor anxiety will cause communication to become more restricted and autonomy to decrease in the short term. It has been noted that both public and private sector reductions tend to lead to centralization (Curtis, 1989). However, the downsized organization has a smaller workforce. This smaller organization will require less coordination and control. Therefore, as survivor anxiety diminishes in the long term, information processing will become less restricted and autonomy will increase. They hypothesized that three factors will moderate the transition between the short-term and long-term effects: (1) severity of the reduction strategy; (2) implementation methods; and (3) perceived threat of the reduction (Sutton & D'Aunno, 1989).

This conceptualization is consistent with some of the research on survivor reactions to layoffs. For example, Greenhalgh (1982) found that the threat of layoff reduced feelings of job security and levels of productivity for employees in two hospitals to be merged. Even though only seven employees were ultimately laid off, employees still felt threatened by the reduction. Furthermore, layoffs as a reduction strategy can be considered the most severe approach in terms of its effects on employee well-being (Greenhalgh et al., 1988). It can be surmised that employee anxiety did not diminish over time because of the threat and severity of the layoff strategy. However, research has not tended to examine long-term effects of layoffs for employees remaining in the organization.

In an examination of three research and development departments facing decreases in financial resources, two of which reduced their staff through attrition or dismissals, Hall and Mansfield (1971) found that financial strains led to increased organizational structure and control. The organizations responded to economic strains with little or no consultation with the researchers. The researchers experienced drops in security, self-esteem, and satisfaction with promotion and pay. Further, interviews with researchers indicated a reduction in organizational identification. There was an increased tendency for the researchers to protect their own work and look out only for themselves (Hall & Mansfield, 1971). In this case, survivor anxiety did not decrease, and the researchers became alienated from the organization. Although these researchers were not consulted about the

77

organizational reductions, it is possible and beneficial to include management and nonmanagement in planning for moderate RIFs (Cody, Hegeman, & Shanks, 1987).

Sutton and D'Aunno's (1989) conceptualization does highlight the importance of minimizing the anxiety of survivors. This can be accomplished through clear communication of the reasons for downsizing and methods of compensation (Brockner et al., 1987; Greco & Woodlock, 1989), one-time cuts in personnel (Greenhalgh, 1983), and treating terminated employees with dignity (Leana & Feldman, 1989; Sutton et al., 1985).

Existing research emphasizes that survivors can exhibit strong negative reactions to downsizing strategies. In terms of layoffs, employees may feel that layoff victims were treated unfairly. In response, employees may distance themselves from the organization by decreasing their performance (Brockner et al., 1987). Work groups may react to their uncertain environment by becoming resistant to change in their work procedures (Krantz, 1985). Furthermore, when employees feel threatened by an organization's reduction strategies, their job insecurity may lead to a desire to leave the organization (Greenhalgh, 1983). The most qualified employees may choose to leave, since they would have greater opportunities of finding better jobs (Isabella, 1989). An organization's productivity may decline if employees with firm-specific skills leave the organization (Perry, 1985).

Unfortunately, an organization is most in need of highly-qualified employees after it has reduced the size of its workforce. Because fewer people are available to complete the work, those remaining must increase their output to maintain organizational effectiveness. Furthermore, flexible decision making and adaptable work plans are critical during a period of retrenchment (Krantz, 1985). However, individuals may respond to environmental threats by becoming more rigid in their responses (Staw et al., 1981). Large reductions may create an "innovative-fearing" organizational environment (Tomasko, 1987). If the best employees leave, and those remaining are not performing at optimal levels, then the organization will be unable to adapt to environmental contingencies. An organization that fails to adapt to its environment due to the poor implementation of its reduction-in-force will fall further towards crisis and possible dissolution in its process of decline (Weitzel & Jonsson, 1989).

Summary

Organizational downsizing can result in a number of negative consequences for terminated personnel, including a loss of income,

stress, depression, psychosomatic complaints, decreased self-esteem, alcohol abuse, and a deterioration in family relations. It may also result in negative survivor responses, such as feelings of role overload, job insecurity, decreased organization commitment, lower morale, and poor performance. Survivor responses will directly impact the organization's future effectiveness. Further, the organization's treatment of terminated personnel will largely determine its image as a prospective employer for future employees. An organization can prevent possible negative consequences of its downsizing tactics through interventions that assist displaced workers, remaining employees, and even the community when massive reductions are implemented. Organizations responding reactively to threatening environmental contingencies may have little time or resources to consider these supporting programs. However, interventions are the aspects of downsizing that are most likely to be salient to individuals affected by the process.

TRANSITION MANAGEMENT AND INTERVENTION PROCESSES

## Overview

Transition management refers to the process of implementing the reduction-in-force. The organization must consider not only which downsizing strategies to use in reducing its workforce, but also what types of assistance it will offer to both terminated and surviving employees. Downsizing intervention processes refer to specific activities that are used to manage the effects of downsizing strategies and forced reductions on members of the organization. Interventions are differentiated from downsizing strategies by their individual program orientation. Downsizing strategy affects the organization as a whole; whereas intervention processes are focused on the individuals affected by the downsizing strategies. The overall goal of intervention processes is to reduce the short- and long-term negative impacts that downsizing has on displaced individuals, survivors, and the organization.

When an organization is able to predict its workforce requirements, human resources planning can reduce the necessity of RIFs (Perry, 1985). However, retrenchment may also be part of a well designed human resources plan (Appelbaum et al., 1987). If an organization is able to proactively respond to environmental contingencies, it has more time and resources to consider not only less harmful downsizing strategies, but also ways to assist individuals during the downsizing process. These interventions are salient not only to downsized employees, but also to individuals outside of the organization. Even if an organization must implement mass layoffs, well-planned assistance programs will indicate that the organization cares about the welfare of affected employees (e.g., Debow, 1987; Franzem, 1987).

## Model of the Transition Process

Appelbaum et al. (1987) provide a model of the transition process that is useful as an overall guide or framework for approaching downsizing strategies and interventions. The first five stages are mainly concerned with strategy choice and implementation. During stage one, Problem Recognition, the organization assesses the situation in terms of the permanence of decline, the location of trouble within the organization, and the reasons for the decline. The second stage, Strategic Planning, consists of a review of goals and a forecast of the impact of downsizing on employees, future profitability, and future markets. The organization considers downsizing strategies other than layoffs during stage three, Alternative Considerations. Stage four concerns Preparatory Actions.

80

The organization assesses means to ensure compliance with all relevant laws and regulations. Further, all collective bargaining agreements with unions are reviewed and a communication plan is devised. The derivation of Specific Action Plans is accomplished in stage five. The organization translates the strategic decisions and plans, derived in previous stages from organizational goals and values, into specific plans for action (Appelbaum et al., 1987).

The next four stages of the transition process are more focused on downsizing interventions. In actuality, of course, the development of strategies and interventions are not separated as clearly. Stage six formulates the Specific Components of downsizing programs. This stage is actually a check on the two previous stages. The downsizing implementation plan is reviewed to ensure that people affected by downsizing are dealt with in a humanistic and equitable manner and in accordance with all laws and agreements. The goal of this step should be to confirm that the organization has attempted to reduce the stress on management and employees through the provision of adequate programs, financial compensation, moral support, and job relocation assistance. Communication and Implementation comprise stage seven. The organization should provide timely, brief, and factual termination announcements. After the announcement, individuals should have the opportunity to meet with human resource representatives to discuss their situations.

Assistance to displaced personnel is accomplished in stage eight. The organization should provide counseling seminars, job search workshops, and placement services. These activities are important for healing the organization and maintaining a positive organizational image. The final stage concerns Follow-up and Rebuilding. The focus is on the survivors; productivity and morale must be maintained at a high level during and after the cutbacks. The manner in which the organization assists surviving employees will impact future organizational effectiveness. Management should work actively on rebuilding confidence, support, and trust. Similarly, the organization must actively rebuild its image in the community (Appelbaum et al., 1987). This model presents prescriptive guidelines for the management of downsizing interventions. However, as will become apparent through the following sections, variations on these prescriptions exist which have positive and negative consequences.

## Managing the Transition

The downsizing literature reveals five general categories of downsizing interventions that are often used by organizations to decrease the impact of downsizing: financial incentives and benefits, outplacement, counseling, training, and communications. These

interventions may be used separately or, more often, two or more types of activities will be used in conjunction to manage the downsizing process and its effects. For purposes of discussion, the boundaries between categories have been made distinct. However, in practice, the distinctions are less clear-cut, with a substantial amount of overlap. Following is a brief description of the five types of downsizing interventions.

Financial Incentives and Benefits refer to the consideration of financial or monetary ramifications of downsizing strategies. These interventions include, but are not limited to, severance pay, pension plan options, extended insurance coverage, and financial planning for employee incentive packages.

Outplacement refers to a wide variety of activities, such as job search assistance, résumé writing training, interview simulation, and clerical support, which enhance the placement of displaced personnel into new positions. Displaced personnel may be placed into other organizations or in new jobs within the downsizing organization.

Counseling concerns the psychological assistance offered to employees to help them cope with the ramifications of downsizing. Counseling can provide assistance to terminated employees, as well as to survivors

Training concerns the skills, knowledge, and information given to employees to help them cope with downsizing. Although outplacement typically involves some training to help displaced personnel locate new employment, training interventions are more extensive in orientation; training is provided to terminated workers or to survivors to prepare them for new jobs or different careers.

Communications involve information dissemination before, during, or after the implementation of downsizing strategies. Types of communication interventions include advance warning of downsizing plans, discussions with unions or employee associations, and information given to the media.

The specific combination of processes chosen for the intervention may vary according to the situation, the goals of the organization, and the needs of the individuals involved in the downsizing. However, one or more of these five types of processes are often found in one form or another in most downsizing interventions. The programs provided, and the techniques used to implement them, depend upon the focus or goal of the intervention. For example, if the focus is helping displaced workers locate new jobs quickly, an emphasis on outplacement activities is likely. Alternatively, if the focus is on

maintaining the morale and productivity of survivors, communication and counseling processes may be accentuated. Because downsizing has effects on both displaced individuals and survivors, different interventions may be devised that are oriented to the needs of each of these groups.

In addition to these five intervention processes, organizations should be cognizant of two special issues. The first concerns documentation activities that pertain to the downsizing effort. Documentation activities include, but are not limited to, documentation of performance appraisal to be used in selection for termination, offers of early retirement, and records of procedures used for layoffs or other strategies. For example, if performance is used to select individuals to be dismissed, the organization may face legal challenges. Mullaney (1989) emphasized the need for dependable job analysis as a basis for defensible selection decisions. Without documented job analysis, performance evaluation may be regarded as arbitrary, making selection for layoff appear improper. Mistrust of the selection procedure may lead to negative morale among the survivors and lawsuits against the organization by displaced personnel (e.g., Cortes-Cormerer, 1986; Sutton et al., 1985).

The second issue concerns the security of sensitive or competitive materials. The organization may need to conduct special activities designed to protect its interests when downsizing affects individuals possessing proprietary or sensitive information. This must be managed so it does not demean or embarrass individuals. For example, Atari had employees escorted off the premises by security personnel immediately after notification. Although this action was dictated by a concern about organizational security, it led to a negative reaction among the survivors of the reduction-in-force (Sutton et al., 1985). Much more attention needs to be placed on documentation and security issues. There is very little case study, empirical, or conceptual literature to guide organizations in making decisions regarding these two sensitive but important issues.

The subsequent portions of this section will provide more detail on each of the specific interventions and their variations. Aspects of each process that are critical for success will be detailed. Positive or negative outcomes that may result from particular interventions will be addressed. The applicability of the process for survivors, as well as terminated personnel, will be considered.

Interventions

Financial Incentives and Benefits

When implementing a reduction-in-force, organizations may offer monetary incentives to those who voluntarily leave the organization, or financial assistance to those who are forced to leave. Financial programs include, but are not limited to, severance pay (Kanfer & Hulin, 1985; Mullaney, 1989; Patterson & Flanagan, 1983), extended benefits (Franzem, 1987), early retirement incentives (Seibert & Seibert, 1989), financial planning for employee incentive packages (Feldman, 1989), and financial assistance to the community involved (Matte, 1988).

When an organization has sufficient time to devise a comprehensive downsizing plan, it can offer early retirement incentives as one of the first steps in its downsizing process. The use of voluntary reduction strategies may eliminate the need to implement strategies that are more harmful to employees (Greenhalgh, et al., 1988). If voluntary retirements do not result in the necessary reductions, involuntary downsizing strategies may have to be used. When employees are forced to leave the organization, severance pay is often used to buffer the income loss (Leana & Feldman, 1989). The literature on unemployment suggests that when the financial impacts of displacement are lessened, the negative physical and mental health consequences may also be alleviated (Kessler, Turner & House, 1988; Kinicki, 1985; Warr, et al., 1988). Therefore, most organizations have focused their financial assistance program, if they have one, on the provision of severance pay.

When employees are displaced, a loss of income is not their only financial concern. These employees also lose their health or life insurance coverage, and may be unable to afford insurance on their own. For example, when a Youngstown steel plant closed, few workers were reduced to extreme poverty (Buss & Redburn, 1987). They had other personal resources that eliminated the need for income assistance. However, 30 percent of the laid-off workers reported having no health insurance during the five years following their displacement. The provision of extended health care benefits could eliminate one more worry during the stressful period of unemployment.

Although severance pay is the most common form of financial support, helping displaced individuals develop financial plans for dealing with unemployment has also been used as an intervention (Allen, 1990b; Feldman, 1988a). Goldome Federal Savings developed a "career resource center" to conduct downsizing interventions. Part of these activities were focused on financial planning assistance for the

terminated employees (Allen, 1990b). Better planning may lead to better utilization of financial resources, which in turn may lead to less financial strain and an alleviation of the mental and physical health consequences of unemployment.

Similar to other interventions, financial assistance, especially severance pay, may differ according to organizational level. Leana and Feldman (1989) discovered that in nonunionized settings, organizations generally are more concerned with giving severance pay and extended benefits to white collar employees than to blue collar employees. Organizations may perceive their responsibility to be greater to these individuals. However, white collar employees are more likely to have created their own financial cushion and actually may be in less need of severance pay to buffer them from financial strain.

## Financial Incentives Outcomes

Outcomes for terminated employees. The use of early retirement incentives may allow employees ready for retirement to leave the organization with their full pensions (Ellig, 1983). With sufficient resources, they may be able to explore new avenues of fulfillment in their lives (Benson, 1990b). Extended health or life insurance benefits would give unemployed individuals one less worry and allow them to focus on their job search efforts. Leana and Feldman (1989) propose that severance pay may have several positive effects: (1) it buffers the displaced individual from financial losses; (2) it gives the displaced worker an enhanced sense of psychological security due to decreased financial strain; and (3) it reduces the need for the worker to take the first possible job, especially when it may be unsuitable. Further, because severance pay decreases financial strain, there may be less marital friction and less pressure on the other spouse to become employed or find better employment. Finally, the financial cushion may give displaced workers the time and resources needed to obtain further training or education (Feldman & Leana, 1989).

Outcomes for survivors. Surviving employees are aware of how the organization has treated displaced individuals during a reduction-in-force. For example, Stroh Brewery Co. offered laid-off employees comprehensive financial assistance which included severance pay, extended benefits, and early retirement pensions for longer-service employees. This concern for the welfare of the terminated employees affected the morale of surviving personnel, who perceived Stroh as "more than just a good place to work" (Franzem, 1987, p. 55). In contrast, when survivors perceive that displaced individuals are not fairly compensated, they may react by decreasing their performance or

commitment to the organization (Brockner et al., 1987). Thus, the organization's financial assistance to displaced workers not only alleviates some of their monetary concerns, but also influences the perceptions and behavior of remaining employees.

Outcomes for the organization. Feldman and Leana (1989) suggest that severance pay and extended benefits decrease the likelihood that the organization will be sued by terminated employees. Furthermore, by using voluntary incentives first, and then offering financial assistance to individuals who are involuntarily displaced, the organization projects an image of concern for its employees (Franzem, 1987; Perkins, 1987). This will ensure that positive attitudes toward the organization remain (Brandt, 1985; Ropp, 1987).

## Summary

The literature dealing with financial incentives and benefits is scarce and most of it has been focused on early retirement incentives and severance pay. Research in related areas suggests that financial stress is an important factor in the adjustment to job loss. Severance pay and extended insurance coverage can decrease financial pressure such that the displaced worker has an enhanced sense of psychological security, more time for job search, and fewer negative mental and physical health consequences.

Guidelines for key components of a comprehensive financial assistance program have been proposed (Barbee, 1989). Incentives such as separation bonuses, pension fund distributions, and early retirement bonuses should be provided to promote voluntary attrition. Financial advice to departing employees, whether they are leaving voluntarily or involuntarily, may help them make the best use of their available financial resources. Personalized employee communication should be used to inform employees of their financial responsibilities as early as possible. This allows time for displaced employees to integrate their organizational and personal resources and make an informed decision about selection of voluntary separation bonuses or extended benefits offered by the organization.

## Outplacement

Outplacement refers to the activities in which an organization engages to assist terminated personnel in locating new employment. The vast majority of organizational outplacement efforts emphasize the placement of individuals in new organizations. However, some outplacement, commonly called inplacement, focuses on the placement of personnel in other areas within the same organization (Mullaney, 1989; Wagel, 1989). Other outplacement programs focus on helping dismissed

employees start their own companies or consulting firms (Beaudoin, 1988; Zoghlin, 1989). Outplacement programs encompass a wide variety of operations, including job search assistance, career planning, and interview training. More comprehensive programs even include counseling and financial planning. A single framework for designing an outplacement intervention that will be successful across all situations and organizations has not been established. However, guidelines are offered which prescribe key elements for effective outplacement programs.

## Outplacement for Terminated Employees

Outplacement generally focuses on terminated personnel and is designed to accomplish three main goals: (1) successful placement of personnel in new employment outside the organization, (2) minimization of the costs of the downsizing strategy, and (3) maintenance of a positive organizational image. The techniques used to accomplish these goals vary widely. Examples of elements used in outplacement processes include: provision of market information, assistance with résumé preparation, job search workshops, interview training, skills and interest assessment, clerical support, and phone services (e.g., Barkhaus & Meek, 1982; Batt, 1983; Brammer & Humberger, 1984; Debow, 1987; Feldman, 1988a; Fulmer & Fryman, 1985; Parkhouse, 1988; Patton & Patton, 1984; Perkins, 1990; Quartararo, 1988). An action plan for conducting an actual job search may be a final stage of an outplacement program (Hayslip & VanZandt, 1985). Some organizations use only one or two of the above procedures, whereas others combine various techniques into a comprehensive outplacement intervention. Brief descriptions of case studies are presented to illustrate outplacement processes that were well-received by displaced personnel.

Outplacement programs. Outplacement can be conducted through workshops, classes, and on an individual basis. The Goddard Space Flight Center of NASA underwent a restructuring that eliminated the jobs of 53 professional and nonprofessional employees (Schlossberg & Leibowitz, 1980). Shortly after the RIF was announced, a special outplacement assistance program was initiated to help displaced employees find the best possible employment available. The program provided two types of assistance, job leads and job search training, within the context of 20 hours of group activities. In the former, technical personnel within the organization used their professional network of contacts to locate appropriate job openings; information regarding these openings was given to the employees facing termination. In terms of job search training, it was assumed that the displaced employees needed a systematic process to help them absorb the trauma of displacement and mount a successful job search. To accomplish this, the employees received some counseling, identified

their skills and abilities, learned how to develop an attractive résumé, and practiced interviewing skills. In addition to the group activities, each person met for one-half hour each day with a counselor to refine the job campaign. Reaction to the program was exceptionally positive, and most participants reported that the program assisted them in locating new employment.

Oak Ridge National Laboratories downsized by laying off 400 salaried employees (Patterson & Flanagan, 1983). The organization developed a comprehensive classroom format program, with a large outplacement component, that was designed to help individuals endure the financial and emotional hardships of displacement. The first class was devoted to easing the pain of involuntarily losing a job. Discussion focused on benefits, severance pay, and the possible impacts on family life. The second class helped individuals engage in financial planning and explore their marketable skills; information on the current job market was also provided. Class three taught résumé preparation, interviewing techniques, and job hunting skills. The fourth class provided an update on the current job market, including positions available within the firm, and information on educational opportunities available in the area. The final class was informal, held over pizza and beer, and primarily afforded the program participants a chance for mutual support and encouragement. Of approximately 400 people, 50 percent received external job offers, 22 percent received internal job offers (from other parts of the organization), 11 percent left the area or the job market, 5.5 percent opened their own businesses, and 11 percent remained unemployed 45 days after termination. Employees gave universal praise for the course and reported that it created a sense of optimism for the future (Patterson & Flanagan, 1983).

Outplacement centers. Centers are sometimes established, with the assistance of outside consultants or human resource personnel, as a base of resources and services for laid-off employees (e.g., Allen, 1990b; Debow, 1987). Borden acquired Fisher Cheese from Amfac, Inc. in 1986 and closed the plant in Wapakoneta, Ohio, which employed approximately 400 people (Matte, 1988). Borden brought in outplacement professionals from across the country and established a Career Center to implement an outplacement program. The Career Center was designed to assist all dismissed employees in assessing their skills, planning job search activities, and preparing their résumés. The outplacement assistance lasted six months. During that time the organization continually made contacts with area businesses to find possible placements. Less than four months after the closing, 194 of the 367 displaced employees had found new jobs. Within six months of the plant closure when the Career Center closed, 90 percent of the employees had found new jobs. Further, laid-off workers reported

feeling that the organization was offering them a great deal through the outplacement program (Matte, 1988).

General Electric closed a microwave division that was not competitive, displacing 900 workers (Debow, 1987). A Re-employment Center was formed to provide job search skills assistance. The center was staffed by five professional consultants and two clerical workers, who assisted employees with résumés, gave job search workshops, and allowed employees to participate in interview simulations. The center assisted 600 of the 900 terminated employees; 300 were placed into new jobs and 300 were placed into training programs.

Union and government involvement. When large numbers of workers are laid off, joint committees or ventures may be formed to assist in the planning and provision of outplacement services (e.g., Adams, 1985; Batt, 1983; Forbes, 1987; GAO, 1989). Governments may provide assistance to firms involved in efforts to re-employ laid-off workers, and union agreements may stipulate that labor participate in a closing process (Leana & Ivancevich, 1987). The Canadian government requires organizations involved in mass layoffs or plant closures to form a Joint Consultative Committee (JCC), composed of equal numbers of employer and employee representatives, to supervise a comprehensive outplacement intervention (Newman & Gardner, 1987). Affected employees complete a questionnaire assessing their experience, training, skills, and preferences. Potential employers are contacted, and government assistance programs are utilized to assist in employee placement. The JCC explores various options for worker adjustment including training, alternative employment, self-employment, or early retirement (Newman & Gardner, 1987).

General Motors closed an assembly plant in Cincinnati, Ohio, displacing 3,200 workers (Feldman, 1988a, 1988b). Together with the United Auto Workers (UAW) Union, the organization established a Human Resource Center (HRC) to lessen the impact of the layoffs and to help terminated personnel locate new jobs. The HRC held pre-layoff consultations at the plant, conducted job fairs, and informed employees of its services by placing "orientation cards" in prominent places. Workers signed up for orientations and were sent to career counseling to review their education and experience. The HRC also conducted aptitude and general skills assessment for vocational planning and offered workshops covering résumé preparation, interview skills, motivation, goal-setting, and communication skills. Employees who were clear about what kind of job they wanted spoke with job developers in the HRC. The job developers conducted referral services and matched workers with available jobs based on the displaced workers' skills and interests. Other services offered by the HRC included phone banks, videotape equipment, a reference library,

seminars on stress, spouse support programs, financial planning, and a program to help displaced workers earn their high school diploma. Participants in the outplacement program felt that the joint GM and UAW venture gave them hope for the future. They believed that the program provided assistance in locating new employment and in maintaining their career development (Feldman, 1988a, 1988b).

Inplacement. Inplacement is a special type of outplacement intervention which places dismissed workers in new jobs within the same organization; it differs from transfers in that it is focused on the individual's needs and not the organization's requirements. Colvard (1986) discusses the inplacement accomplished by the Naval Material Command (NAVMAT) when it eliminated its headquarters, which had employed 450 civilians and 150 military personnel. Rather than conduct an externally focused workforce reduction, NAVMAT worked with the Consolidated Personnel Office (CCPO) to place the headquarters personnel in other areas serviced by the CCPO. A personnel action freeze was established to ensure that all vacancies, current or occurring during the placement period, would be available to the displaced employees. Because the personnel freeze had a negative impact on morale, everyone was focused on the rapid placement of the displaced headquarters employees. With centralization of decision making, open communication, and a public plan of action, the inplacement of personnel to other areas achieved relatively quick success (Colvard, 1986).

Following World War II, the Civil Service Commission (CSC) instituted a similar program (Drury, 1952). Due to post-war reductions in services, the roles occupied by some career civil service employees became unimportant. The CSC attempted to place most of the displaced career employees (DCEs) in positions within agencies supervised by the CSC. The program met with a high degree of initial resistance. Other agencies did not want their hiring restricted. Moreover, they believed that the DCEs would be less efficient than the non-status employees whom they were targeted to replace, especially in the higher grades. The commission was forced to use coercion and the assistance of Congressional Orders. Even with coercion, compliance with the program was low. The CSC ultimately switched to a program with a larger voluntary component in which the agencies were freer to choose which DCE to integrate into their agency. This program successfully placed the DCEs, while also minimizing disruption of the workflow (Drury, 1952).

Relocation assistance. Relocation is another issue for organizations to consider when planning an outplacement intervention. Outplacement may be quite effective when viewed from a national perspective, but interventions attempting to place individuals in new

jobs within the same geographic location as the organization experiencing the plant closing or mass layoff may be considerably less effective. A good example of this concerns steelworkers displaced as a result of a plant closing in Ohio (Patton & Patton, 1984). Most of the steelworkers were well-trained and had exemplary work records, but there was no longer any demand in the region for these skills and it did not appear likely that this situation would change significantly. The high cost of retraining and the inability to get federal funding for a retraining program led to the decision to focus on relocation. The organization established and supported a Community Action Organization (CAO) to oversee the relocation program.

The CAO was faced with several important issues. First, they needed to find a suitable location or locations on which to focus re-employment attempts. Because the people involved were unemployed, the CAO decided that funding should be made available for individuals to travel to the new location for interviews. Second, given the possible detrimental effects of relocation on the entire family, there was a need for a family orientation to the relocation efforts. After an extensive search, a suitable location in Texas was found and a job relocation assistance training program was designed. An important component of the program was the utilization of six steelworker couples who were given special training in peer counseling. These couples spoke with dismissed workers about relocation. Information about the schools, housing, churches, recreational, cultural and environmental aspects of the prospective relocation sites was obtained. Financial management counseling was provided on issues such as budgeting, debt management, and property disposition.

This program relocated a total of 364 workers from 1980-1982. In addition to re-employment success, the program was successful in terms of alleviating some financial burden on the community. The direct one-time public cost of about $1,200 per participant was marginal compared with other options including income maintenance programs, education and training, or job creation. For example, the average cost of welfare was approximately $7,000 per family per year; making the cost of nonparticipation quite high. Given that nonparticipants are likely to be unemployed and dependent upon welfare, the relocation program was cost effective. The study concluded that the single most important asset to laid-off employees is psychological preparation for job transition, including immediate relocation if necessary (Patton & Patton, 1984).

## Implementation Issues

Guidelines for outplacement programs. Some suggestions on key
elements of outplacement have been proposed. Leana and Feldman (1989)
recommend three guidelines for outplacement interventions based on
their case studies. First, the organization should provide a
temporary base of operations for job hunts which should furnish
clerical support, job search information, and other support functions.
Second, career counseling and career planning workshops should be an
integral part of the outplacement intervention. The researchers
suggest that these workshops be conducted after layoffs are finalized,
allowing employees to give full attention to their future careers.
Further, career counseling and career planning should be conducted on
a one-to-one basis to ensure privacy and honest communication.
Finally, outplacement activities should be offered to all terminated
personnel; they should not be restricted to upper-level employees.

Those involved with downsizing interventions at General Motors,
the American Association of Petroleum Geologists, and Grouse-Hinds
Electrical Construction Materials have also made some prescriptions
regarding outplacement interventions (Petrini, 1989). First, they
stress that in order to maximize the displaced workers' likelihood of
obtaining new employment, the outplacement program should begin as
soon as employees are targeted for reduction. Second, the
organization should involve the union or employees in the design,
development, and implementation of the program. Third, terminated
workers may need special encouragement to attend the available
outplacement activities. Sometimes the psychological response
immediately following layoff interferes with an individual's
motivation to attend. Fourth, individuals should be encouraged to
investigate all career opportunities before they make a decision on
what direction to take after layoff. Finally, the organization should
keep track of progress of displaced personnel toward re-employment in
order to evaluate the success of the outplacement program (Petrini,
1989).

In addition to these guidelines, some consultants have begun to
recognize the need to tailor outplacement techniques to the needs of
the employee. For example, organizations that focus specifically on
executive personnel outplacement activities, such as Business Life
Transitions (BLT), have formed to help organizations deal with their
outplacement needs (Benson, 1990b). In addition, availability of
outplacement services has been noted to differ by type of industry.
Lee (1990), in a Bureau of Labor Statistics study, found that defense
organizations are least likely to provide job search assistance for
RIF personnel.

Levels targeted for outplacement. The literature highlights a few difficult issues organizations face when designing and implementing an outplacement intervention. The first issue concerns which displaced personnel should be offered outplacement services -- just executives or all displaced personnel. Extensive job search location and clerical support is often provided to upper-level or executive (discretionary) employees, while lower-level (nondiscretionary) employees merely have the opportunity to attend a short workshop on interviewing and résumé preparation. Hoban (1987) notes that most companies provide "full" outplacement programs to higher-level management out of a sense of responsibility and an attempt to reduce unemployment claims. Many of these organizations provide "partial" outplacement services to lower-level employees for similar reasons. Partial outplacement interventions usually cover only specific areas of assistance depending on the needs of the individuals involved. To implement partial outplacement, Hoban (1987) suggests the use of group outplacement activities, which are held as classes and cover similar topics as those in full outplacement services. However, they are typically of shorter duration and do not provide follow-up support.

Middle- and upper-level managers, especially those in higher salary grades, may need more extensive outplacement assistance than the lower-level managers or hourly workers for two reasons. First, many large organizations are downsizing by eliminating managerial levels, thereby saturating the market with qualified managerial personnel. Second, these higher-level terminated personnel have fewer job alternatives that would be commensurate with their previous positions in terms of salary and job characteristics. Therefore, these individuals may need special assistance in locating and securing adequate replacement employment (Hoban, 1987).

Barkhaus and Meek (1982) examined the outplacement intervention at Magnavox which was offered to all levels of personnel affected by downsizing. In 1977, Magnavox told 550 headquarter employees they would be relocated in 1980. The organization was concerned with maintaining morale and controlling unemployment tax costs so it established a professional outplacement service for those employees not wishing to relocate. This intervention had two essential components. The first component focused on career evaluation and maintenance of a positive attitude through a workshop that helped individuals identify their personal characteristics, interests, abilities, and skills and provided a supportive environment. The second component was a workshop that emphasized job-hunting skills. In general, the program participants evaluated the program favorably, although there was a difference by level of employee. Clerical groups and technicians reported feeling more assisted by the support and

career evaluation workshop relative to the professional employees. In contrast, professional employees reported getting more from the job hunting skills workshop. All employees responded favorably to the group format of the outplacement intervention.

## Outplacement Outcomes

Outcomes for terminated personnel. The positive outcomes associated with outplacement include successful re-employment, maintaining the morale of laid-off employees, and possible career development opportunities, especially for upper level personnel (Camden, 1982). The primary outcome of outplacement interventions is the successful placement of displaced personnel into new employment. Most of the case illustrations indicate a large percentage -- up to 90 percent -- of terminated employees were able to locate new jobs following participation in an outplacement program. The results presented by Kanfer and Hulin (1985), however, indicate that outplacement alone may not be sufficient for re-employment success. The authors investigated an outplacement program in which the participants completed an Outplacement Needs Inventory and were provided with information about local employment opportunities. They found that participants in the outplacement intervention were no more likely to be re-employed than nonparticipants. Rather, self-efficacy for job search was the most significant predictor of re-employment success. The success of an outplacement intervention in placing an individual to a new job may be dependent upon characteristics of the individual, as well as the design of the outplacement program.

The case illustrations also offer evidence of another type of outplacement outcome: the morale of displaced workers and satisfaction with the outplacement program. In most cases, the employees report feeling that the outplacement program gave them a sense of direction, provided necessary information, and provided support and encouragement during a difficult period in their lives (e.g., Parkhouse, 1988). Although not addressed in the case studies, the morale of dismissed personnel may have effects on the morale of survivors as well (Greenhalgh et al., 1985).

Benson (1990b) describes a third type of positive outplacement outcome for these individuals. Through participation in a comprehensive outplacement program including skills assessment, interest discovery, and trust-building exercises, some individuals from McDonnell-Douglas were outplaced to an independent, floating consulting arm of the organization. The role of this consulting group was to act as liaison between the organization and suppliers, between work teams, and among different divisions. Some of the dismissed employees eventually viewed the outplacement positively because it

gave them a chance to take a risk, try something new, and fulfill a
different role -- something they may not have tried without the
downsizing effort.  In this sense, downsizing with an effective
outplacement intervention may be a positive career development
opportunity for displaced employees.  Leana and Feldman (1989) propose
that outplacement activities may benefit displaced personnel by
producing added stimuli to seek further education and to move to more
suitable occupations or to more prosperous geographic locations.
Outplacement activities also lend structure to displaced workers' days
and provide social support.

In contrast to these positive outcomes, some literature has
highlighted a few negative outcomes of outplacement interventions.  If
the outplacement professional is not familiar with the displaced
worker's craft or profession, the worker may feel misunderstood.  This
misunderstanding will lead to frustration for the worker and a
mismatch between job placement and the worker's skills, abilities, and
interests (Heery, 1989).  Further, faulty outplacement may encourage
displaced workers to market themselves in the wrong way, focusing on
job placement and not on the worker, leading to a mismatch between job
offer, or even placements, and worker skills, abilities, and interests
(Bearak, 1982).  This implies that outplacement, like other downsizing
activities, should involve substantial consideration and planning
prior to implementation.

Outcomes for survivors.  When layoffs have been used as the
downsizing strategy, concern and attention given the terminated
personnel may be a positive signal to the survivors.  For example,
when General Electric established their Re-employment Center with a
cost of $400,000, the organization was viewed favorably by survivors.
Surviving personnel believed that GE cared about the laid-off workers,
and as a result, the survivors experienced continued positive morale
throughout the downsizing phase (Debow, 1987).

Franzem (1987) reports that survivors at Stroh's brewery were
very aware of the outplacement and other intervention programs
provided to dismissed employees.  Stroh's spent 1.5 million dollars on
13 months of programs (Perkins, 1987).  Survivors reported that
provision of the programs made them feel that the organization really
cared for its employees; they maintained morale, productivity, and a
positive view of the organization (Franzem, 1987).  On the other hand,
when Atari dismissed 6,000 employees, they did little to help them
find jobs or deal with their layoffs.  This sent a negative signal to
the survivors which translated into decreased organizational
commitment and decreased productivity (Sutton et al., 1985).

Outcomes for the organization. Outplacement programs may benefit
organizations through reduced severance costs, improved employee
morale, and improved public relations (Hayslip & VanZandt, 1985);
reduced likelihood of legal problems (Piccolino, 1988); and increased
timeliness of management changes and reorganization (Hayslip &
VanZandt, 1985; Mirabile, 1985). Organizational image within the
community and the larger environment may be positively or negatively
affected by outplacement interventions offered by the organization
(Forbes, 1987; Hirsch, 1987; Leana & Feldman, 1989). It was clear in
the Atari example (Sutton et al., 1985) that lack of an outplacement
intervention created a very negative organizational image. In
contrast, the organizational efforts to re-employment of laid-off
employees are often regarded as a positive signal to the community
that the organization cares about the economic status of its former
employees and the community (Matte, 1988). Financial savings that may
accrue to the organization are another type of organizational outcome
(Bearak, 1982; Hoban, 1987). If an organization is successful in
placing individuals in new employment immediately or soon after
displacement, it may save money in terms of decreased unemployment tax
rates, severance payments, and continued benefits coverage.

Summary

Outplacement has received frequent attention from researchers
investigating the impact of layoffs and plant closings. Outplacement
interventions vary widely; some of the common components include job
location assistance, job search skills training, and clerical support.
Organizations implementing an outplacement intervention face several
important questions: (1) who shall receive the outplacement services;
(2) what types of techniques should be provided; (3) what range of
geographical locations will be considered; (4) what placement options
will be made available; and (5) what criteria will be used to evaluate
the success of the program.

Most organizations that use outplacement find that it is
relatively successful at placing employees in new positions,
maintaining the morale of the survivors, and giving the organization a
positive image in the community. Further, successful outplacement
saves the organization money in terms of reduced unemployment taxes
and extended benefit costs. Alternatively, organizations may develop
a negative image in terms of the survivors and the community when they
close a plant or conduct a major layoff without providing outplacement
activities.

## Counseling

Counseling interventions are designed to provide psychological assistance to employees during their adjustment to the psychological and social impacts of downsizing. Reductions-in-force may have negative consequences for both laid-off employees and survivors. Unemployment has been found to relate to depression (Feather & Barber, 1983; Feather & Davenport, 1981), decreased satisfaction with life (Feather & O'Brien, 1986), lower self-esteem (Tiggemann & Winefield, 1984), and stress symptoms (Kessler, Price, & Wortman, 1985; Liem & Liem, 1979). Moreover, the process of decline may be associated with conflict, scapegoating, and low morale among survivors (Brockner, 1988; Cameron, Whetten, & Kim, 1987). Counseling is designed to help both groups endure downsizing, minimizing the negative impacts for them and for the organization. Counseling is often used in conjunction with outplacement (e.g, Allen, 1990a; Franzem, 1987; Matte, 1988; Patterson & Flanagan, 1983; Sweet, 1975). Indeed, in some instances counseling is considered to be an important aspect of outplacement, because individuals who have not adequately dealt with the trauma of downsizing cannot be effectively placed in new positions (Fulmer & Fryman, 1985).

Two main categories of counseling interventions are discussed in the downsizing literature: psychological counseling and career counseling. Psychological counseling is designed to help employees vent their feelings, rebuild their self-esteem, and constructively deal with stress. Techniques used in psychological counseling include one-on-one counseling with a trained person from outside the organization, peer counseling, and group counseling (e.g., Feldman, 1988a; Rundle & DeBlassie, 1981; Taber et al., 1979). Group techniques may be conducted on- or off-site. Trust building is a common theme of these group counseling approaches (Benson, 1990a, 1990b). Psychological counseling may also be used to encourage dismissed employees to replace their lost work time with constructive nonwork activities (Valencia, 1985). This can be a vital part of the adjustment process, because displaced workers who cannot constructively structure their time often experience the more severe mental health consequences of unemployment.

Work-related stress is a common topic in organizational literature (e.g., Schuler, 1980). Job loss can be a major life crisis, creating a great deal of stress for some individuals (Kessler et al., 1985). Coping with stress may be a necessary focus of an adjustment process (e.g., Latack, 1986). Psychological resources can influence the vulnerability of individuals to these stressors (Kessler et al., 1985). Social support received from co-workers, family, and friends may prove a valuable resource in the maintenance of mental

health.  Social support has been suggested by researchers to minimize the impact of stress, i.e., job loss, on the individual's well-being (Ganster, Fusilier, & Mayes, 1986; LaRocco, House, & French, 1980).

Career counseling is more closely related to outplacement than other types of counseling.  It is focused on helping employees discover their alternatives and make decisions on the best course of action based on their skills, interests, and resources.  It often comprises an important element of outplacement programs.  Generally, career counseling takes the form of assessment, discussion of the options (i.e., training, education, self-employment, or other employment), and decision making.  The emphasis is on setting realistic goals given individual skills and abilities (e.g., Feldman, 1988b; Matte, 1988).

## Psychological Counseling

Psychological counseling processes can be accomplished through a variety of techniques.  A few authors have sifted through the diversity and have provided prescriptive guidelines for psychological counseling during organizational downsizing.  Rundle and DeBlassie (1981) suggest that displaced workers confront several difficult problems upon layoff:  affective problems, stress-related illnesses, financial concerns, training needs, and career development insecurities.  They recommend that the primary aim of counseling is to help the displaced worker cope with the trauma of job loss and to help them move toward satisfying and productive employment.  Techniques for accomplishing this goal include changing workers' attitudes from self-defeating to more productive, creating an atmosphere of warmth and support, helping clients help themselves, and building confidence so displaced workers realize they can act to control their own lives.

Coping with job loss.  The re-establishment of the displaced worker's sense of personal control and self-esteem and the redirection of anger are often aspects of psychological counseling.  General Motors and the UAW established a Displaced Workers Center (Schore, 1984), with the intention of registering people for retraining programs and providing job placement services.  After a month of operations it became clear that workers needed ways to cope with feelings generated by unemployment.  Counselors broadened the center's perspective to provide opportunities for employees to express and receive validation for their anger at being laid off.  Important aspects of the program were confidentiality and acceptance, because the workers' population generally believed counseling was for "crazy" people.  The counselors helped workers identify the causes of their anger and aided them in redirecting it away from themselves and their families.  Interventions were directed at restoring pride and dignity,

which helped demonstrate to the workers that they were understood and accepted and that it was "safe" to be in counseling. This intervention was well received and utilized by a large percentage of the laid-off employees. Previous literature has suggested that only upper level employees would respond favorably to counseling. Schore (1984) attributes the high rate of utilization by lower-level employees to four key factors. These factors include credibility of the program as part of the Joint Retraining Project established by GM and the UAW; sanction of the program by the union; the social dimensions of the counseling approach; and the use of peer counselors.

Young (1986) suggests an approach to psychological counseling of terminated personnel from an attribution theory perspective. Attribution theories describe the causes of events along three dimensions: (1) internal or external (e.g., Did the individual or something in the individual's environment cause the event?); (2) stable or unstable (e.g., Do certain actions by the individual or in the environment lead to this event on a constant or intermittent basis?); and (3) controllable or uncontrollable (e.g., Can the individual influence the events taking place?). Young suggests that attributions about unemployment are affected by contextual factors, including beliefs, attitudes and values, policies and programs, and the interpersonal context. Research on the attributions of unemployed individuals shows that they may attribute the cause to individual, societal, or chance factors, but that the longer they are unemployed, the more likely they will attribute the cause to internal factors such as lack of skills. Counselors should be aware of their client's, as well as their own, attributions concerning unemployment and they should assist individuals in developing effective and valid explanations for their unemployment. Further, though the cause of the unemployment may have been external and uncontrollable, counseling can help individuals recognize that a solution is internal and controllable.

Two manufacturing organizations faced with mass layoffs used outside consultants to set up a project area within the plants for counseling and outplacement services. Employees used the project as a haven of relief from the tensions of the shop floor and as an opportunity to talk seriously about the situation. Employees helped each other through mutual support, often with the consultants in the background. Job search and welfare benefits were also a prominent focus of the project. The consultants helped people mobilize their emotional resources and taught them to use their family and community relationships to help them adapt to their anticipated unemployed situation (Valencia, 1985).

Rundle and DeBlassie (1981) suggest that displacement problems are further complicated by age. Older workers may have lower rates of re-employment success than younger employees and need more emotional support (Nulty, 1987). A worker who is displaced in mid-life may have more difficulty adjusting relative to younger workers, who are more mobile, or to older workers, who can opt for early retirement (Rundle & DeBlassie, 1981). Self-concept is particularly troublesome for the mid-life displaced workers. They tend to have less confidence in their ability to start over in a new job, tend to avoid risk-taking behavior, and exhibit a marked lack of motivation to undertake training in a new skill or occupational field. These tendencies retard older workers' adjustment to displacement and limit re-employment options. Therefore, middle-aged displaced workers may have a special need for psychological counseling.

Use of social support. Social support, although not synonymous with counseling, is a closely related concept. Social support comprises the supportive and caring actions by one's family, friends, or co-workers which enable a person to deal with difficult situations. It is believed to function as a buffer, minimizing the negative consequences of stress (Ganster et al., 1986; LaRocco et al., 1980; Osipow & Davis, 1988). Faced with stressors, such as job loss, an individual with social support will experience much less stress and impact on his or her mental health (Carver, Scheier, & Weintraub, 1989; Dooley, Rook, & Catalano, 1987; Kinicki & Latack, 1990; Vinokur & Caplan, 1987). The existence of social support may also lead to an increase in job seeking behaviors (Mallinckrodt & Fretz, 1988). A difficult issue not yet dealt with much in the literature, but implicit in some of these studies, is that many social support networks revolve around the workplace. Mechanisms for maintaining this support without the benefit of the work setting must be addressed through counseling or other intervention programs.

Janis (1983) suggests that social support can be fostered by a counselor. Counselors should build up a client's belief in his or her abilities and enhance self-esteem. They should also guide clients to engage in positive behaviors. Counselors should consistently provide positive feedback, show acceptance, and elicit a moderate amount of self-disclosure from the client. Support can also be offered through self-help groups. Mallinckrodt (1990) examined the job satisfaction of displaced professionals. These individuals had participated in a social support program after being displaced. The program was designed to be a self-help or group support approach focusing on self-esteem and personal control. Professionals who developed high self-esteem and an internal locus of control were more satisfied in their new jobs than those with low self-esteem and an external locus of control.

Counseling for survivors. Survivors also need similar counseling to maintain morale, alleviate feelings of guilt, and to help adjust to additional job responsibilities (e.g., Gall, 1986). Even when employees leave voluntarily, survivors may become less satisfied and committed to their jobs (Mowday, 1981). Duracell conducted layoffs in one of its division as part of a retrenchment (Feldman, 1989). To minimize the negative impacts, the company developed a counseling program focused on the survivors. Program development began two months before the downsizing announcement date. An outside consulting firm was used to establish a three-step program that included individual and group sessions covering announcement activities, immediate follow-up, and long-term support. Two days after the announcement, survivors and senior management met to examine the emotional, work, and career-related issues that surfaced as a result of the downsizing. Managers were further encouraged to keep an open door policy. Employees were encouraged to use a 24-hour Employee Assistance Program (EAP) for discussion of any problems. Two months after the layoffs, a follow-up meeting was held to ensure that all relevant issues had been addressed. Despite these efforts, Duracell had initial problems immediately before and after the layoffs. These problems were mostly in terms of high absenteeism, low morale, low productivity, turnover of key personnel, and an overburdening of the EAP. However, after continued focus on the survivors in the months following the downsizing, these problems were alleviated to a large degree (Feldman, 1989).

In a failed attempt to counsel survivors, Exxon's chairman and executives developed a videotape with the intent to counteract the low morale and productivity following its layoff of 8,000 employees. The tape was designed to reassure employees about their jobs and the opportunities within the organization. Morale, however, remained low. Some individuals were handling job responsibilities previously held by three or four managers. Others were forced to fill positions two or three levels lower than their former jobs. In contrast to these job conditions, videotaped reassurances were simply not enough to improve the low morale situation (Byrne, 1988b). This suggests that organizations need to look for more effective forms of counseling for the survivors of retrenchment.

Career Counseling

Career counseling assists terminated employees in identifying their skills and abilities, planning future career paths, and determining training needs. It is usually a component of an outplacement program. Wagel (1989) suggested the use of a "buddy system" in career counseling. Terminated personnel were referred to

persons who had been previously displaced from their jobs. The goal
was for the "buddy" to provide a unique perspective and to help the
newly displaced person honestly evaluate plans and goals.

One specific type of career counseling, which differs from the
typical situation, is pre-retirement counseling (Seibert & S ibert,
1989). For this type of counseling, it is important that the
individual have sufficient time, perhaps six months, to carefully
consider all the issues. In addition, involvement of the spouse in
counseling is beneficial, because the decision will impact the lives
of the entire family. Pre-retirement counseling has not received much
attention in the literature. However, studies on sudden unemployment
and voluntary attrition suggest that retirement can have effects on
the individual and the organization. Many organizations are using
voluntary early retirement as a means to downsize, thus, more
information about the possible individual and organizational
consequences are needed.

## Counseling Outcomes

Outcomes for terminated personnel. The case studies suggest that
confidence in oneself, belief in one's ability to find re-employment,
and a sense of promise for the future are prominent outcomes of
psychological counseling following job loss. Patterson and Flanagan
(1983), in their study of Oak Ridge National Laboratories, found that
the counseling aspect of the group classes helped displaced workers
gain a sense of belonging to a cohesive and supportive group. This
sense of belonging gave them the encouragement they needed to begin
job searches. A similar outcome was noted in the case study of the
Goddard Space Flight Center. Although these individuals were shocked
and surprised by the lay off announcements, they felt that the
counseling support had given them hope and confidence. They also
reported that the sense of competence gained through the outplacement
and counseling programs gave them the hope and ability to mobilize
their resources to respond to the situation (Schlossberg & Leibowitz,
1980).

General mental health has also been cited as an outcome of
counseling interventions. Caplan et al. (1989) compared the mental
health of participants in an eight-session counseling course with that
of individuals who had merely been given a self-help book. Both
groups were part of a population of unemployed people in southeastern
Michigan. The counseling seminars involved training in job-seeking
with a problem-solving process focus, emphasis on inoculation against
setbacks, and a component of positive social reinforcement. After the
counseling, the seminar participants who were still unemployed
reported higher perceived self-efficacy for job-seeking ability and

showed no decline in job seeking motivation. The people in the self-help group, in contrast, had significantly less job-seeking self-efficacy and showed a decline in job seeking motivation. Participants in the counseling program who were re-employed reported lower anxiety, depression, and anger and higher self-esteem and quality of life than those remaining unemployed. Participation in the seminars was significantly linked to greater re-employment success and quality of life.

Other research suggests that without adequate and effective counseling, the displaced worker may become discouraged and actually reduce, rather than increase, job seeking efforts. The third stage of Powell and Driscoll's (1973) model of adjustment to job loss, discussed earlier under downsizing strategies, is associated with counseling. In the Period of Vacillation and Doubt stage the individual realizes that his or her normal job-seeking strategies are not working. Job-seeking becomes sporadic, preparation and organization are neglected, and fears and doubts hurt the individual's decision making. The person becomes more self-critical and moody, family relationships deteriorate, and the individual experiences identity problems. At this stage, counseling is critically needed to reaffirm the individual's job-seeking self-efficacy and motivation and to maintain social support and family relationships.

Outcomes for survivors. Counseling can be an important tool for assisting survivors, as well as terminated personnel, in their adjustment to the impacts of the downsizing. Brockner and his colleagues (Brockner, 1988; Brockner et al., 1985; Brockner et al., 1986; Brockner et al., 1987; Brockner et al., 1988) assert that downsizing, especially layoffs, have potentially severe consequences for the survivors. The situation following layoff is stressful for the survivors, due to uncertainty, feeling of inequity, and insecurity. Psychological counseling for survivors, as illustrated by the Duracell case, may be one method of avoiding the negative consequences documented by the empirical work of Brockner and his colleagues. Duracell's continued focus on the survivors' needs and emphasis on allowing survivors to vent their feelings enabled the organization to regain survivor morale, commitment, and productivity.

Byrne (1988a) reported that managers surviving restructuring or downsizing cited several individual consequences, including feelings of being overburdened and underappreciated; loss of job security; resentment; and lack of information and communications. Other managers, however, reported continuing to feel loyal to the organization and keeping their self-identities linked to the organization. Byrne suggests that some survivors need psychological counseling to help them cope with the changed jobs and organization

created by the downsizing effort. In addition, Byrne suggests that top managers should spend more time communicating with middle-level managers to alleviate some of the stress inherent in the situation.

## Summary

Counseling is an important counterpart to outplacement. Terminated personnel often need assistance dealing with the trauma of job loss in order to feel capable of searching for, and beginning, new employment. The goal of most counseling interventions is to help displaced workers maintain their self-esteem and sense of personal control. Empirical research and case studies indicate that psychological counseling is reasonably successful in terms of reaching this goal, assisting employees in dealing with the initial shock of job loss, and maintaining motivation for job search.

In addition to counseling for terminated personnel, counseling of survivors is vital in order to help them deal with the guilt, confusion, and insecurity they may be feeling as a result of the downsizing. Organizations that provide counseling for survivors may be able to avoid or diminish the negative consequences, such as decreased morale, productivity, and commitment, associated with mass layoffs or other downsizing strategies.

## Training

Training interventions are designed to provide displaced individuals with the skills, knowledge, and information necessary to assist them in adjusting to the impacts of downsizing. Two categories of training interventions are discussed in the downsizing literature: vocational training and job-search skills training. Vocational training is focused on job-related skills and knowledge acquisition. Job-search skills training emphasizes the information, knowledge, and skills needed for effective job search. Job-search skills training was addressed in the Outplacement section of this report; this section will focus on vocational training.

## Vocational Training

The specific components of vocational training vary widely and tend to be dependent upon the specific needs, interests, and abilities of workers involved in the downsizing. The primary goal of training interventions is to enable terminated personnel to obtain new employment, because outplacement alone may not ensure that individuals will find new jobs. If the displaced individuals have skills and abilities that are not in demand in the local region or even nationally, additional training is essential before these workers will

find quality re-employment. It has been estimated that over 80 percent of downsizing training funds are used for hourly employees, because they are the largest portion of the workforce that lacks transferable skills (American Management Association, 1987). Further, the Secretary of Labor's Task Force on Economic Adjustment and Worker Dislocation (1986) recognized that many experienced workers will require improved basic educational skills and recurrent vocational training to ensure job mobility and employment security. The Department of Labor suggests that organizations should assess the local job market and train employees to fit market needs (Forbes, 1987).

In Canada, the Manpower Consultative Service connects displaced employees whose skills do not match job market demands with retraining programs offered by the government (Batt, 1983). Langerman et al. (1982) also recognized the market issues involved in the decision to provide training assistance. These authors note that when there is a mass layoff or plant closing, the local labor market is flooded with individuals who possess similar skills and knowledge. This reduces the likelihood that all displaced workers will find new employment without retraining. Some of their suggestions for dealing with this situation include: involving community and social service agencies in providing training opportunities; providing company-supported vocational training; furnishing tuition assistance; and establishing a career development center for interest and aptitude testing. Langerman et al. (1982) stress the importance of giving people the opportunity to choose the type of training that matches their interests and vocational preferences.

A novel program for training displaced individuals involved teaching these individuals how to start their own small businesses (Mangum, Tansky, & Keyton, 1988). It was believed that this training would compensate for a lack of jobs in certain occupations, would restore former levels of income, and would re-establish feelings of self-worth and control over life events. Approximately 30 percent of the participants became self-employed during the program. It was suggested that this type of training would be more appropriate for recently displaced individuals (Mangum et al., 1988).

Training Programs for Terminated Employees

During the downsizing process, an organization may offer specific skills training to its laid-off employees. Irlam Works, a division of British Steel Corporation, was faced with decreasing demand and increasing financial difficulty (Warr & Lovatt, 1977). The Works closed, laying off 2,028 employees. Because employees tended to underutilize government-supported training -- only one to four percent

of displaced workers participated -- the organization decided to hold short courses before the date of termination. The courses provided by Irlam included machining, arc welding, motor vehicle repair, heavy goods vehicle driving, fork truck driving, and construction industry training. Approximately 25 percent of the displaced workers participated in this pre-closure training (Warr & Lovatt, 1977).

The results of this intervention were positive. Sixty-six percent of the displaced employees believed that the intervention increased their chances of finding new employment. Sixty-three percent indicated that the courses gave them the confidence to tackle something new. These findings were particularly strong for people in unskilled jobs and those in jobs requiring steel-specific skills. Overall employment patterns showed a significant difference in re-employment between participants of the training program and nonparticipants; 70 percent of training program participants were re-employed six months following closure, whereas only 51 percent of nonparticipants were re-employed. Participants rated their interest in, and the working conditions of, their present jobs as relatively better and their overall preference for their new job as significantly stronger, than did nonparticipants. However, no difference was found in the relative wages between the two groups (Warr & Lovatt, 1977).

Training may also be one component of an outplacement assistance program. As part of a comprehensive transition management intervention, the UAW-GM Human Resources Center provided courses in heating and air conditioning, technical training, truck driving, and health services. The program also reimbursed other employers who hired, trained, and retained terminated personnel. The participants in this program reported that the training helped them start new careers, although no comparison between participants and nonparticipants was provided (Feldman, 1988a).

Government agencies may become involved in organizational efforts to provide training opportunities. When General Motors eliminated a truck assembly line, displacing 3,500 workers, the organization entered a joint training initiative with the California Employment Development Department at sites in the area surrounding the plant. This program registered people in retraining programs, made referrals to training classes, and certified eligibility for unemployment compensation. The classes offered instructions in skills ranging from landscaping, word processing, and janitorial work to diesel maintenance, robotics, and computer drafting. Placement in the training programs was accomplished according to ratings on standardized tests. However, success of the training program was not evaluated (Schore, 1984).

State assistance may also occur through the use of funds available from the Job Training Partnership Act (JTPA). Training assistance may involve an organization or union based approach, a community based approach, or an agency-based approach (National Alliance of Business, 1983). However, to ensure a successful program, early intervention, organization and union involvement, and planning for alternative services are critical. Further, the program should include a worker assistance center, a worker adjustment committee, and a state technical assistance team (National Alliance of Business, 1983).

Training assistance may include alerting employees to the educational opportunities available to them. When Borden closed a cheese plant in Wapakoneta, Ohio, it held a Career Day to help displaced employees become aware of their educational and training opportunities (Matte, 1988). Fourteen colleges, vocational schools, and trade schools showed the RIF personnel opportunities in education or new occupations. Fortunately, JTPA funds were available for training assistance. By the next month, 42 people had entered new career fields and another 25 had entered school (Matte, 1988).

Training Programs for Survivors

Survivor training is usually a component of the organization's downsizing strategy, in which remaining employees are retrained to handle additional responsibilities or to fill new positions within the organization. This aspect of training was discussed in the Downsizing Strategy section of this report. However, training may be considered an intervention when it assists remaining employees in coping with the new organization. For example, a federal agency was affected by a policy change that shifted responsibility for program administration from the federal to the state level (Cochran, Hinckle, & Dusenberry, 1987). As a result, the agency was forced to decrease its employment by 50 percent. In order to minimize the negative impact on survivors, it developed an Executive Development Program (EDP). The survivors were mainly very senior staff, close to retirement, and junior staff with good technical knowledge. The purpose of the program was to show these remaining employees their opportunities in the agency and to develop them as replacements for the senior staff (Cochran et al., 1987).

The senior staff, a steering committee, and consultants developed an assessment center to identify those employees with managerial competence. Participants in the assessment center, generally junior staff members, were then trained to create individual programs to develop their personal skills. Senior staff employees were trained as mentors for the participants to assist their skill development on the

job. Participation in the assessment center allowed junior and senior members to maximize their special competencies and gave them a focus for the future. Furthermore, employee morale was restored through participation in the program (Cochran et al., 1987).

## Participation in Training

Although organizations may spend a large amount of time and money to provide training assistance, they face the problem of displaced individuals failing to take advantage of educational opportunities. Low participation in training programs complicates organizational efforts to assist displaced employees. For example, Buss & Redburn (1987) examined laid-off workers from the Youngstown Sheet and Tube Works which was shut down in 1977 and 1978. Training programs were provided at the time of the plant closing. However, only 20 percent of the displaced employees took advantage of the assistance. Eight years later, 27 percent of the displaced individuals who had not left the labor force were unemployed. A direct comparison of the re-employment of training participants and nonparticipants was not conducted, however. Buss and Redburn (1987) also reported that the individuals with the most severe economic consequences were the unskilled, older, minority, disabled, and less-educated individuals. It might be suggested that better utilization of the training intervention, especially by this latter group of employees, may be important to improving re-employment success.

Schore (1984) also found low participation in the training programs offered by the California Employment Development Department for displaced auto workers. In this case, it was suggested that hope of being recalled because of a possible GM/Toyota joint venture and the UAW contract of guaranteed income inhibited some individuals from becoming involved in the training program. Hansen (1988) suggests that problems with the Job Training Partnership Act (JTPA) account for low participation in training interventions. Due to the rigid standards for qualification for funds and low public information, only 5 percent of eligible displaced workers were provided with training or educational assistance under the JTPA in 1986. These findings suggest that organizations must recognize and reduce impediments to participation in order to implement successful training interventions.

## Training Outcomes

Outcomes for terminated employees. The primary goal of training interventions is to enable displaced individuals to obtain new employment. The case studies suggest that participants in training interventions believe that training assisted them in finding a new job. There is also some preliminary evidence that training

intervention participants have a higher rate of re-employment than nonparticipants (Warr & Lovatt, 1977). However, the literature does not provide many tests of training interventions in which training program participants and nonparticipants are directly compared in terms of re-employment success.

Individual outcomes other than re-employment have been attributed to training interventions. On the basis of their case studies, Leana and Feldman (1989) suggest that training interventions help workers structure their day, as do some counseling interventions. This can be an important side-effect of training programs because the lack of structure to one's day has been shown to be a significant cause of depression and hopelessness in unemployed individuals (Jahoda, 1988; Kasl, Gore, & Cobb, 1975; Swinburne, 1981; Warr, 1978). Moreover, by participating in a structured job-related activity, training may provide participants with a sense of work-related identity. The loss of work-related identity often leads to feelings of low self-esteem and loss of control. Participation in training may help mitigate these feelings.

In contrast, training interventions may result in negative consequences for terminated employees. In one study, Leana and Feldman (1989) discovered that training programs raised individual expectations for re-employment and the quality of re-employment following training. Leana and Feldman (1989) suggest that if these expectations are not met, a greater sense of loss and discouragement may result than if there had been no opportunity for retraining at all. As part of the planning process, the organization should ensure that displaced individuals will be taught skills that are marketable. When skills are not marketable outside of the organization, individuals may have difficulties finding re-employment (e.g., Ashton & Iadicola, 1989).

Outcomes for survivors. Training interventions apply primarily to displaced workers. However, because motivational training for survivors is designed to help them deal with the downsizing, it may also be considered a training intervention. Survivor training interventions are focused on remotivating managers; rebuilding teamwork, cooperation, and communication; creating or recreating an environment of trust and respect; and promoting a sense of job security during a period of uncertainty and change (Hoerr & Zellner, 1990; Imberman, 1989; Isabella, 1989).

The reaction of survivors to training provided for terminated employees is one possible negative outcome of training interventions. If survivors feel that displaced workers are receiving job skills training that enables them to get better jobs, they may perceive an

inequity. The inequity survivors feel may translate into low morale, commitment, and productivity and, perhaps, the turnover of key personnel. Furthermore, if only certain survivors receive training, the rest of the employees may become jealous. When the U.S. Department of Education downsized, it provided supportive training to new employees to maintain morale, create commitment, and reduce the stress of the recent reductions (Newell, Redfoot, & Sotar, 1989). However, older employees did not receive this training and perceived that they were treated unfairly by the organization.

Outcomes for the organization. The organization may also benefit from training provided to laid-off workers. Training may result in displaced employees becoming re-employed more quickly (Feldman & Leana, 1989), which would reduce organizational costs such as extended benefits, severance pay, and unemployment tax rates (Bearak, 1982; Hoban, 1987). The organization's image may also be enhanced if it assists displaced employees in acquiring new skills. This is especially true when the organization is part of a declining industry, because the displaced individuals may possess skills that are no longer marketable (e.g., Feldman, 1988a; Feldman & Leana, 1989).

Summary

Oftentimes outplacement and counseling alone will not be sufficient to ensure the re-employment of displaced workers. When the market becomes saturated with displaced workers who possess similar skills and abilities, training in new vocations is vital. Furthermore, if individuals possess skills that are not marketable outside of their organization, they must acquire new knowledge and skills in order to find quality jobs. Training can be supported by the organization, the community, or the government, although governmental assistance through the Job Training Partnership Act has been problematic. The most successful type of training, in terms of re-employment, has been organizationally supported training that focuses on employee interests, provides skills and abilities, and targets specific vocational skills training. Even with a successful program design, organizations must take measures to encourage displaced employees to participate in training.

## Communications

A vital part of the downsizing process is concerned with keeping all relevant participants informed. This can take the form of advance warning of downsizing plans; discussion with unions, employee associations, or employees; or information provided to the media. Communication processes may seem, on their face, to be a small part of the transition management process. However, they can have a vital

impact and are important before, during, and after implementation of the downsizing strategy.

Information dissemination, like other downsizing intervention processes, can take many forms. Indeed, communication issues allow for even more variation than other processes. Any type of information conveyed to the employees, union, media, government, or community can be designed to be part of the communication process (e.g., Debow, 1987; Gibson et al., 1986; Kolcum, 1988). The type of information conveyed can range from the very specific, such as informing employees of the plant closure date or the exact amount of their severance pay, to the very general, such as telling employees that the organization is restructuring from a product to function focus or telling the media that transfers will be used to minimize worker displacement. For example, 20,175 people working for the federal government received "general" notices of possible termination, while another 1,826 employees received "specific" notices that they were being laid off (Bureau of National Affairs, 1982). These individual notices minimized the uncertainty and rumors that are typically associated with the beginning phases of a downsizing effort.

Downsizing communication interventions can be distinguished on the basis of their primary function. Two functions, advance notification and information dissemination, have received the most attention in the literature. Advance notification pertains to the warning given to employees about an impending layoff or plant closure. Information dissemination refers to ensuring that all relevant parties have the information they need to function effectively throughout the downsizing transition.

## Advance Notification

Advance notification to employees concerning lay offs or plant closings is a major component of downsizing communication processes. This aspect of communication interventions is now governed by legal guidelines under the Worker Adjustment and Retraining Act, which went into effect in February, 1989 (Colosi, 1989). The WARN act requires employers with over 100 full-time employees to give 60 days advance notice to employees when planning a major lay off or plant closing. Under the law, two situations require advance notification: (1) facility closing, including temporary or permanent shutdowns of facilities or RIFs of 50 or more employees for 30 days or more and (2) RIFs which result in at least 50 employees, who are at least 33 percent of the workforce, being displaced for at least six months, or at least 500 full-time workers being laid off for more than six months. Further, if the workforce is unionized, the employer must send advance notice to the union instead of to the individual

employees (Colosi, 1989). It should be noted that few employers gave advance notice prior to the enactment of the WARN legislation (Ruhm, 1990).

Rhine (1986) suggests that, in addition to the WARN act, other legal doctrines may require that organizations provide terminated employees with advance notification. In every explicit or implied contract there is an implied covenant of good faith and fair dealing. This covenant can be said to be breached in plant closings or layoffs when the organization fails to give advance notification or engages in deception. Rhine suggests that strict enforcement of the implied covenant of good faith and fair dealing is appropriate in the employment context due to the inequities in employment relationship -- the employer has many opportunities for unfair conduct.

Issues pertaining to advance notice. The issue of advance notification, despite the stated legal guidelines, is highly controversial. Staudohar (1989) summarizes the arguments on both sides of the issue. Proponents of advance notification claim that it will save $300 to $400 million annually in unemployment insurance costs, reduce joblessness following displacement by nearly four weeks, and increase displaced workers' earnings by more than $1 billion. Ruhm (1990) has reported that advance notification increases the likelihood that dismissed personnel can obtain new employment without intervening unemployment and may lead to markedly increased earnings in the new position. Moreover, research has found that advance notification does not limit efficient operations. Companies, unions, and government agencies have adequate time to plan and develop assistance programs for counseling, training, and job searches. Other research has also related advance notification to lower rates of suicide. Disadvantages of advance notification include decreased ability of the organization to meet challenges and possible negative effects on customers and creditors. In addition, financially declining organizations might not know employment conditions 60 days in advance. The notice may require a prolonged period of operation at full employment, leading to a prolonged period of losses. This may require more extensive layoffs than would have occurred without the notification (Staudohar, 1989).

Several steel mills in Pittsburgh were forced to close because of the declining demand for domestic steel products. At the NASA Kennedy Space Center, 1,400 people were laid off during the downsizing that followed the Challenger disaster. Feldman and Leana (1989) investigated both situations and found that less than 50 percent of the employees in these organizations had received advance notification. Lack of advance notification was responsible for a great deal of anger on the part of the displaced personnel, as well as

significant impacts on the communities involved. Feldman and Leana draw three conclusions regarding advance notification from these case studies: (1) workers may actually increase productivity in an effort to save jobs or the plant; (2) employees are less likely to remain unemployed for long periods of time and less likely to suffer financial set backs; and (3) it is good for the organization's image.

Guidelines for advance notice. Colosi (1989) proposed some guidelines for organizations to assist them in WARN compliance. First, employers should consider providing notification 90 days before the proposed downsizing, because aggregated terminations over a period of time may trigger the coverage of the WARN act as the number of terminated employees increases. Second, if an organization is not certain that downsizing will occur or whom it will affect, it should notify the employees that may be involved. By providing advance notice, the organization assures that problems do not arise later when layoffs become necessary and restriction from the WARN act apply. An organization may be forced to prolong its period of decline or operating losses by this legislation. Finally, if the employees are represented by a union, the union should be notified about the downsizing. However, the organization should also notify the respective employees and not rely upon the union to do so.

## Information Dissemination

The other major goal of communication interventions is to ensure that all constituencies, including terminated personnel, survivors, and the union, receive the necessary information about the downsizing strategy implementation. Involved individuals need information regarding the timetable of events, expected impacts on the organization and its employees, and overall goal of the downsizing effort. Provision of information helps reduce insecurity, confusion, and the spread of rumors which may have negative consequences of the organization. Modic (1987) stresses the importance of honest face-to-face communication from top management involved in the implementation processes. Most individuals in the organization will perceive top management, who are directly involved in the downsizing, to have the most accurate information, to know the possible consequences of the downsizing, and to be responsible for communicating critical downsizing information. Therefore, the information which top management disseminates will be given the most weight and will likely have the most impact on employee reactions (Colvard, 1986).

Open communications. When an organization conducts a retrenchment of its personnel, it should make the reasons for this activity clear to both laid-off employees and survivors ("Downsizing," 1989). Management should communicate openly and honestly with

employees regarding downsizing (Yates, 1985). Open communications may lead to greater loyalty and commitment (Grosman, 1989), less uncertainty (Hunsaker & Coombs, 1988), and improved morale (Jacobs, 1988; Kiechel, 1985).

IBM was confronted with decreased demand for a key product. It used transfers, rather than layoffs, to deal with this decreased demand (Greenhalgh et al., 1985). A key component in IBM's process was the communication efforts undertaken; the organization worked hard to keep its employees fully informed throughout the reduction process. Plant management explained that even though IBM was showing profits and the plant itself had been praised for efficiency, the plant was still facing problems. Management also explained that the nonmanufacturing workforce would have to make the largest sacrifices in the reduction processes. Management insured overcommunication by holding an all-day session to brief managers and technical personnel and by distributing briefing packages so that everyone heard a consistent message. The plant's internal newsletter, the "House Organ," contained interviews with volunteers in the indirect to direct work transfer program who expressed their commitment to IBM. IBM also had a "Speak-Up Program," which consisted of a hotline and an open-door policy that allowed any employee to voice their opinion or meet with any level of management. IBM's emphasis on strong communication of its no layoff commitment and permission for survivors to voice their views, provided job security for its employees and ensured committed employees for the organization (Greenhalgh et al., 1985).

In April, 1985, the Naval Material Command (NAVMAT) began undergoing a "deorganizaton" which required the complete elimination of the NAVMAT headquarters -- consisting of 450 civilians and 150 military personnel (Colvard, 1986). The goal was to outplace these individuals into other areas serviced by the Consolidated Personnel Office (CCPO). Open face-to-face communication was an important component of this process. All employees, in groups of approximately 100, met with a top line official and a top technical expert, who answered questions, explained procedures, and described employee rights. The plan of action was also well publicized. It was widely distributed and discussed at the face-to-face meetings. The placement effort was accomplished quickly and with relatively few negative consequences for headquarters personnel. Two key aspects of the success of this program, in addition to the openness of communication, were the environment of high trust and the presence of a problem solving collegial attitude among the power holders (Colvard, 1986).

An additional communication issue pertains to the management in charge of conducting the downsizing (Rohan, 1985). Management needs accurate information itself in order to inform lower level employees.

To ensure effective management of the retrenchment, the organization must communicate the job security status of managers -- whether the organization will retain or not retain these individuals. Uncertainty will distract key managers and impede clear communication with subordinates. In addition, managers need quick access to information dealing with the downsizing strategy and process; employees depend on management for information about the downsizing and its consequences.

Media relations. Media relations are another key component of a comprehensive communication intervention. Effective use of the media should be part of a comprehensive communication process. For example, when Borden decided to close the Fisher Cheese Company, the organization was proactive in their media relations in order to attempt to reduce the negative impact of the news and to stress the support they were providing the employees. They made personal visits and phone calls to area newspapers and briefed the Associated Press and United Press International to ensure that the story would be accurate. On the day of the layoff announcement, they ensured that a complete and accurate story was aired on the evening news. As the outplacement process progressed, the organization maintained contact with the media to highlight job successes. This alerted potential employers and motivated displaced employees still searching for positions. The communication process was part of a comprehensive downsizing intervention. Terminated personnel reported that they felt that the organization was offering them a great deal and looking out for their interests (Matte, 1988).

Communication with Unions

Communication with the union is another specific issue that organizations must address. In a unionized workplace, communication with the union is critical to avoid unfair labor practice violations. Effective communication with the union may also make downsizing strategy implementation easier and more efficient. Two examples are presented to illustrate this point.

Eastern Airlines had a poor record of communicating and compromising with its unions. The unions had successfully sued to block Eastern from implementing cost-cutting moves. Failing to reach an agreement with the machinists' and pilots' unions, Eastern asked the federal government to declare an impasse and impose a 30-day cooling off period. During this time Eastern planned to impose contract provisions without union approval to force the union to strike. The plans to downsize using layoffs were made more difficult by poor relationships and lack of early communication and cooperation with the unions (Kolcum, 1988).

RCA had strained communications with the union and the community before it closed a plant in Monticello, Indiana, leaving 450 persons unemployed (Perrucci, Targ, Perrucci, & Targ, 1987). The union and RCA entered into formal negotiations in June, 1982 on a contract that would expire on December 1, 1982. RCA warned the union that the employees must reduce the cost of producing TV cabinets or the plant would close. The union offered two packages of concessions which were rejected by the organization. RCA originally announced that it would close the plant on October 15, 1982. The mayor of Monticello offered RCA reductions in utilities and taxes. After delaying their decision until September, the company announced that the plant would close on December 1, 1982. A third concession package by the union, including a 36 percent wage reduction and termination of the dental plan, was rejected by the organization. A closing agreement was then negotiated between the union and RCA. These examples show that poor communications can lead to union strikes and poor relationships between labor and management. The organization's image in the community is also affected by a lack of communication efforts (Ehrenberg & Jakubson, 1989).

Both of these examples are in sharp contrast to the policy of open and on-going communication implemented in Canada (Newman & Gardner, 1987). The Canadian system of communication, in contrast to that required in the United States, is extensive and government super-vised; organization communication is required to go beyond simple notification. When a Canadian organization plans to close a plant or conduct a major lay off, they are required to establish a Joint Consultatative Committee (JCC). The Industrial Adjustment Service (IAS), a Canadian agency, assists in the formation of this committee, which consists of equal numbers of employer and employee representa-tives, a neutral chairperson chosen by the members, and an IAS consultant to provide technical advice and to act as a liaison between the JCC and government agencies. This committee promotes communication, cooperation, and understanding among employees, employers, and unions within a context of government support and supervision.

Communication Outcomes

Outcomes for terminated personnel. Ehrenberg and Jakubson (1989) found conflicting results in the empirical literature on advance notification. Some of the studies they reviewed found a positive benefit for the individual in terms of decreased time of unemployment and lower earnings losses. Other studies found no effects on the individual. Still other studies found that advance notification actually increased earnings losses. One tentative conclusion they drew is that advance notification appears to have positive results if

116

new employment is found before the layoff or plant closing. If new employment is not located during the "notification period," then the advance warning has little effect or, perhaps, a negative impact.

Langerman et al. (1982) found that the lead-time between the announcement of a plant closing and the actual plant closure varies a great deal. Some organizations have closed overnight, with no advance notification. Other organizations have provided for six months notification, or six months pay, in union contracts. Langerman et al. (1982) indicate that the longer the lead-time (up to one year), the better the community is prepared and able to minimize the negative repercussions for the individuals involved in the closing. Further, longer lead-time provides greater opportunity for displaced workers to obtain training, complete their education, or look for work; it allows them to consider the full range of options open to them and make plans to accomplish personal and work goals. Despite these positive findings, the authors note that some workers fail to take advantage of the time offered by advance notification due to their denial. These workers are essentially in the same situation as those workers without advance notification.

Several empirical and case studies on advance notification (Langerman et al., 1982; Leana & Feldman, 1989; Ruhm, 1990; Swaim & Podgursky, 1990) suggest that employees with advance notification are able to secure new jobs before the closure or lay off date. Obtaining employment before displacement lessens the financial impact and decreases the likelihood that the employees will need to relocate. Thus, displacement is less stressful for these individuals, which suggests that they will suffer fewer negative physical and mental health consequences.

Outcomes for survivors. Feldman and Leana (1989) stress the importance of communication to survivors regarding displaced personnel. Through their case studies, they determined that managers should refrain from making derogatory comments about the terminated employees to survivors. The objective basis of layoff selection should be made clear to the survivors, along with assurances of the survivors' job security. Through communication, managers should create a sense of stability for those employees who remain. The actions of managers at Atari illustrate the negative consequences which may arise if this stability is not established (Sutton et al., 1985). Some Atari managers belittled displaced personnel, but the survivors knew that the layoff victims were competent. Therefore, survivors perceived this communication to be inaccurate. Because management was willing to lie about the performance of the RIF personnel, the survivors questioned all communications from these managers. There was a negative impact on morale and productivity.

Olson and Tetrick (1988) examined the impact of restructuring on employees' work overload, relationship with supervisors, role clarity, and job satisfaction. In this case, a large Midwestern organization restructured, leading to many job changes and transfers. The researchers hypothesized that the changes would have negative impacts on employees in terms of increased job stress and decreased job satisfaction. However, the organization had anticipated the changes and had integrated the downsizing strategy into an employee involvement system consisting of communication and participation. Formal monthly communications from upper management were videotaped and distributed to all departments to explain steps and to note progress toward the new organizational structure. Contrary to the hypotheses, no significant influence of the restructuring was found on company or job satisfaction, role clarity, role overload, and relationship with supervisor for any employee group. Olson and Tetrick (1988) suggest that failure to find an effect might be a result of the organization's communication program designed to neutralize the adverse impact of the restructuring.

Isabella (1989) has noted that survivors have different needs depending upon their stage of career development: performance needs, advancement needs, and growth and stability needs. These correspond to three career stages: entry level, early career, and middle and late career, respectively (Isabella, 1989). Those survivors who have just entered the organization may be the most uncertain about performance requirements and standards. They may not have developed a clear concept of their job responsibilities before the downsizing, and downsizing may have increased this confusion and uncertainty. In contrast, early-career survivors will be focused on the opportunities available within the organization. These survivors may perceive downsizing as eliminating levels in the organization and, therefore, limiting promotion opportunities. Finally, middle- and late-career employees may be focused on long-term job security. They may be concerned that their commitment and efforts over the years will not be rewarded. The organization should determine the career development stage of the survivors and tailor communications dealing with appropriate issues to each career development group.

Outcomes for the organization. A review by Leana and Feldman (1989) reported very few, if any, adverse consequences for the organization. Greater absenteeism and turnover were not found; in fact, absenteeism and turnover tended to decrease, perhaps because people wished to maximize their earnings. In addition, empirical evidence generally suggests no significant changes in tardiness or productivity after notification. The authors suggest that advance notification may benefit the organization because it permits more time

for planning staff arrangements under reduced employment conditions and allows for the possibility of phasing out operations over time. Open communications may lead to greater commitment and loyalty from employees (Grosman, 1989).

Organizations may face unfair dismissal cases when reasons for terminations are not made clear (Dickens, 1985). Through clear explanations of the downsizing, an organization may reduce the likelihood of litigation (Portela & Zaks, 1989). When organizations are not open with employees, rumors may develop. An 11 percent decline in profit for Bell & Howell was attributed to gossip (Fisher, 1988). Employees cannot embrace an organizational strategy they are not informed about.

Hershey (1972) compared the pre- and post-notification behavior of 25 displaced employees across four manufacturing organizations. Their lateness, attendance, and production records for three months prior to notification and for the month between notification and layoff were examined. There were no significant differences on any of the three measures between pre- and post-notification. The records did not indicate any harmful effect, either to the financial health or to the efficiency of the organizations.

## Summary

Communication processes, are a vital component of a comprehensive downsizing intervention plan. Most of the communication interventions are focused on the issue of advance notification -- how soon before layoff or plant closure should the employees be informed. Although mass layoffs and plant closures are now subject to federal law under the WARN Act, the issue is still highly debated. Most empirical and case study evidence seems to indicate that early notification has a positive effect for individuals in terms of decreased length of unemployment, diminished economic losses, and greater feelings of security and control. Further, the proposed negative impacts on the organization in terms of increased absenteeism and turnover and decreased productivity have not been supported by research.

Subsequent layoffs or multiple occurrences of layoffs may present difficulties for organizational communication interventions. To minimize job insecurity and rumors, while maximizing the morale and productivity of survivors, organizations are advised to conduct layoffs at a single point in time and communicate job security to the survivors. However, if difficult economic conditions persist, organizations may be forced to downsize further. In such a situation, the organization may be perceived as having broken a promise to its survivors. The literature has not adequately addressed this issue and

the negative consequences which the organization may confront as a result.

Information dissemination to all persons affected by the downsizing should continue throughout the downsizing process. Terminated personnel, survivors, and unions must all have accurate and timely information in order to respond effectively to the downsizing.

PERSONNEL DEMOBILIZATION IN THE ARMY

## Historical Synopsis

A brief synopsis of the history of personnel demobilization for the U.S. Army is presented to provide background in order to better understand the present situation. Although the anticipated build-down of the all-volunteer Army is unprecedented, lessons learned from previous demobilizations may help identify relevant issues for the current reduction-in-force. The major personnel demobilizations have occurred following wars, therefore, this section is organized by historical armed conflicts.

## Pre-Civil War

Little information exists on Army demobilization strategies prior to the Civil War. In both the Revolutionary War and the War of 1812, soldiers enlisted for specified durations ranging from one month to one year (Sparrow, 1952). Throughout these early conflicts, personnel were constantly changing. Soldiers left the Army as soon as their enlistment periods were completed, while new soldiers were continuously inducted. When these wars were over, the men were allowed to return home without medical examinations, without provision of transportation, and often without pay.

## Civil War

The end of the Civil War marked the first time the Army engaged in a massive demobilization effort. By the time Lee surrendered, there were 1,034,000 Union troops anxious to return home (Sparrow, 1952). The Army established nine rendezvous areas to process these men for discharge. The administrative work was substantial, requiring the collection of information to monitor muster-out rolls, pay-rolls, service time, equipment, promotions, and wounds. Two major problems arose with this demobilization effort. First, the men grew tired and bored while waiting to be processed at the rendezvous areas, resulting in a wave of desertions. Second, the operations of the nine rendezvous areas were not standardized. Records were not accurately maintained, and the payments to troops varied. Despite these problems, it was believed that the use of existing agencies and personnel, who had inducted men into the Army, enhanced the demobilization effort.

## Spanish-American War

Demobilization following the Spanish-American War sought to avoid some of the problems observed after the Civil War. In order to

minimize boredom and desertions, soldiers were given furloughs of 30
or 60 days while the administrative work of the demobilization was
conducted.  These furloughs led to large numbers of absentees and, in
reaction, the Army established more rendezvous areas.  The additional
areas required more personnel and increased demobilization expenses.
Toward the end of the demobilization, the Army changed its policy to
provide extra pay to all ranks instead of the furloughs.

## World War I

 The end of World War I marked the second time the Army was faced
with massive demobilization.  The war had ended unexpectedly, and the
Army was not prepared to demobilize.  In fact, plans for
demobilization were left to a single officer, COL. C. H. Conrad, Jr.
(Sparrow, 1952).  By reviewing how other countries planned to
demobilize their troops, four basic demobilization strategies were
considered by the U.S. Army (Ballard, 1983).  The first plan was to
separate men by their length of service.  This plan was not accepted
because many of the overseas combat troops had less than six months
service, whereas many combat service support troops had served much
longer.  To separate men by their length of service would quickly
discharge personnel whose skills were still needed by the Army.

 The second plan was to separate men by their occupations and the
industrial needs of these occupations.  This plan was initially
implemented by the British and favored by civilians who wanted to
avoid flooding job markets.  However, the British quickly abandoned
this plan when British forces rioted in protest.  The plan broke up
military units and was perceived as being unfair.  The Army rejected
this plan because it required too much research in terms of
identifying the occupational records of each soldier and assessing the
occupational needs of local labor markets.

 The third plan was to separate men by locality.  It was proposed
that local draft boards be used in the demobilization.  This plan was
rejected because the Army did not believe the 4,648 local boards had
proper facilities to process personnel and the large number of local
boards would prevent a uniform demobilization process.

 The fourth plan was to separate men by military units.  This plan
allowed a cross-section of personnel to be discharged.  Furthermore,
it allowed men to remain with their units such that entire military
units could be sent to demobilization centers.  This plan was adopted.
Throughout the demobilization process, the American public grew more
anxious for the soldiers' return.  Thus, the primary concern became
speed of demobilization.  However, the rapid rate of demobilization

122

increased unemployment and was identified as a cause in the decline in wage rates and the depression in the early 1920's (Chambers, 1987).

## World War II

World War II marked the last time the U.S. Army engaged in the massive demobilization of over one million men. The Army switched from a unit demobilization strategy to an individual demobilization strategy, primarily because most soldiers were inducted as individuals. The demobilization plan established a point system whereby soldiers accrued points along four dimensions: (1) one point for each month of Army service, (2) one point for each month served overseas, (3) five points for each recognition of combat (e.g., Service Cross, Silver Star, Purple Heart, etc.), and (4) twelve points for each child under the age of 18 (a maximum of three children could be claimed for points).

Separation centers were established to implement the demobilization process. The demobilization was originally planned to include a six-step sequence for discharge. The sequence began with a uniform-equipment inspection followed by: physical examination, personnel records, separation counseling, pay record review, and departure ceremony. On May 12, 1945, four days after V-E day, the demobilization procedures were implemented on a limited basis. Following V-J day, all activities were redirected toward full demobilization (Moenk, 1969).

Once again the war ended well before projections, making it difficult to implement a full-scale demobilization. The American public pressured Congress for a quick demobilization; Congress, in turn, pressed the Army for speed. Although the Army did not want the separation centers to operate like assembly lines, the urgency to demobilize troops forced the centers to operate 24-hours a day discharging up to 17,000 men daily. By the end of 1945, the Army had separated almost 5,000,000 personnel -- a much faster rate of separation than the Army had planned. There was a concern that postwar forces be adequately staffed. Thus, on January 4, 1946, the Army announced a slowdown in demobilization efforts.

Reactions to the announced slowdown were extremely negative (Anastas, 1983). Hundreds of servicemen stationed in the Pacific, especially the Philippines, in Europe, and even in Maryland's Andrews Air Force Base staged peaceful demonstrations against the slowdown. These demonstrations launched a new wave of complaints by the U.S. public and Congress. General Eisenhower was able to address some of the complaints in a Congressional hearing. By mid-1946, ten months after V-J day, the major portion of personnel demobilization was

completed with the discharge of over 8,000,000 men and women (Ballard, 1983).

Although the demobilization plan was perceived as fair, several major problems arose (Sparrow, 1952). Communications concerning the demobilization were poor. Officers often learned about demobilization plans in newspapers or by radio before they received official instructions. Furthermore, many soldiers were not informed about the plan or changes in the plan and did not know when they could be expected to be discharged. Reactions to the slow-down set a dangerous precedent when large numbers of soldiers protested the actions of their officers. As with the aftermath of World War I, the rapid rate of demobilization exacerbated the domestic unemployment problem; 8.8 percent of the veterans were still unable to find jobs for as long as two years after their military separations (Helmer, 1974). The closing sentence of MAJ John Sparrow's book on the history of demobilization in the Army sums up the World War II experience. He states, "When future scholars evaluate the history of the United States during the first-half of the twentieth century they will list World War II demobilization as one of the cardinal mistakes" (Sparrow, 1952, p. 297).

## Vietnam Conflict

Armed conflicts in Korea and Vietnam introduced a rotation system of short-term tours of duty (Chambers, 1987). Although there is little information available on personnel demobilization following the Korean Conflict, the Army implemented this rotation policy in Vietnam in order to maintain morale among combat forces (Helmer, 1974). This policy eliminated the need for massive demobilizations similar to those experienced after World Wars I and II.

Demobilization for the Vietnam Conflict suffered from several unique problems. Over two million men served in Vietnam, with approximately 70,000 receiving less-than-honorable discharges. An additional 180,000, who did not go to Vietnam, also received less-than-honorable discharges during this period for a variety of reasons. Most of these less-than-honorable discharges were attributed to drug addicts or to deserters, although only 24 of these discharges were based on desertions under fire (Bonior, Champlin, & Kolly, 1984). The general unpopularity of the conflict and the number of less-than-honorable discharges led to negative public perceptions toward Vietnam veterans.

Vietnam veterans were poorly treated compared with veterans from previous wars. Whereas World War I veterans supported the enactment of a G.I. Bill for World War II veterans, there was little support for

benefits to aid Vietnam veterans. Events associated with Vietnam and Watergate shaped the younger generation to question authority and government. This contributed to a schism between Vietnam veterans and older veterans, which in turn, eroded the support typically provided to new veterans (Bonior et al., 1984). Congressional bills to provide pensions to World War II veterans actively competed against the G.I. Bill for Vietnam veterans. The Vietnam G.I. Bill provided about the same dollar benefits as the World War II complement, but without any adjustment for inflation during the 27 years between the two wars. During these years, the costs of attending a public university doubled and the costs associated with a private institution quadrupled. Reluctance to deal with disabled veterans, problems associated with Agent Orange, and budget cuts in Vietnam veterans' programs contributed to a perception that Vietnam veterans had been forgotten. Finally, the antiwar movement and the public's cool reception of the returning Vietnam forces stalled any formal recognition of their service to their country. It was not until 1982 that the Vietnam Veterans' Memorial was dedicated.

### Lessons Learned from Demobilization Experiences

Past demobilization experiences help identify four issues relevant for the current plan to build-down the force. First, demobilization plans should be coordinated with Army objectives for specific end-strengths. In both world wars, demobilization began without agreement of end-strength goals. Ideally, the build-down strategy should facilitate the Army goal of maintaining a force with an identified mix of officers and soldiers with particular knowledge, skills, and abilities to meet national objectives.

Second, demobilization involves a significant public relations component. The way the public perceives the build-down could have profound effects on the ability of the Army to manage the process in a proactive and rational manner. Public pressures for faster demobilizations after World Wars I and II directly affected Congressional mandates related to military affairs. Efforts to satisfy public demands made demobilization more problematic and negatively affected Army readiness. Public perceptions may be particularly pertinent to the current build-down plan, in light of the coincidental timing of the build-down and the successful conclusion of Operation Desert Storm. It is likely to be critical that the build-down be perceived as fair, humane, and equitable.

Third, demobilization influences the relationships between government branches and the military. The nature of the demobilization may provide the basis for Congressional acts related to military appropriations and future objectives. Thus, problems related

to the Vietnam experience may have contributed to the number of
Executive and Congressional actions that curbed benefits for Vietnam
veterans.

Finally, demobilization plans should be consistent and fully
communicated to commanders charged with the demobilization, as well as
all ranks of personnel who will be directly or indirectly affected by
the demobilization.  From World War II experiences with the
demobilization slowdown and poor communications, it is apparent that
rumors and protests could have been minimized with the clearly
communicated implementation of a fair policy.  These issues are
related to the design, implementation, and follow-up of demobilization
plans.  The application of these issues toward recommendations for the
current build-down are discussed in the next section.

RECOMMENDATIONS

Overview

This report has reviewed the literature and research on
organizational downsizing. A conceptual framework was developed that
served to structure and delineate three major aspects of the
organizational downsizing process: (1) environmental constraints,
organizational retrenchment, and targets of downsizing, (2) downsizing
strategies, and (3) transition management and intervention processes.

The section addressing Environmental Constraints, Organizational
Retrenchment, and Targets of Downsizing presents a description of the
open systems or contingency theory perspective of organizations. This
perspective recognizes that organizations operate in dynamic
environments and that changing situations will demand appropriate
responses by the organization. Thus, environmental factors such as
increased competition, reduced demand, economic pressures, and so
forth may become antecedents to the adaptive processes of
organizational downsizing and retrenchment.

Downsizing or retrenchment efforts must identify specific targets
for reductions. Three general targets were discussed: (1) target
functions and positions apply to specific jobs, organizational
departments, or levels that will be reduced; (2) across-the-board
downsizing refers to uniform reductions throughout the organization;
and (3) target locations confine the reduction-in-force to a specific
site or facility. These target decisions are associated with degrees
of proactive management, with target functions generally reflecting
more proactive planning and across-the-board strategies typically
being more reactive in orientation.

The section on Downsizing Strategies addresses the specific
methods that may be used to accomplish a reduction-in-force. These
strategies can be sequenced in a hierarchy based on the extent to
which the strategy intrudes on employee well-being and the extent to
which short-term cost savings are realized. Natural attrition anchors
one end of the hierarchy, with minimal intrusion on employee well-
being and low short-term cost savings. The other end of the hierarchy
is anchored by layoffs without outplacement assistance. This strategy
devastates employee well-being, but results in high short-term cost
savings.

Proactive downsizing plans select strategies that are consistent
with the organizational philosophy, minimize legal liabilities
associated with legally protected groups and labor contracts, and
allow the organization to effectively meet its mission. Strategies

127

involving early retirements, transfers, demotions, reduced work schedules, and layoffs must consider the criteria that would determine eligibility for each option, as well as financial incentives to encourage employees to consider appropriate alternatives.

Downsizing strategies can be assessed in terms of their effects on displaced personnel, survivors, and the organization. Effects on terminated personnel range from objective measures of length of unemployment and income loss, to subjective evaluations of the individual's interpersonal relationships and overall psychological well-being. Effects on retained personnel who survived the downsizing process range from status or role changes in the organization to feelings of job insecurity. Finally, effects on the organization include labor cost savings, organizational efficiency and effectiveness, vulnerability to lawsuits challenging downsizing decisions, and the image of the organization to other organizations and the general public.

The Transition Management and Intervention Processes section focuses on managing downsizing strategies and minimizing potentially negative impacts on displaced personnel, survivors, and the organization. For terminated personnel, the loss of employment may be tempered by severance pay and extended benefits, outplacement services, psychological counseling, career counseling, training, and clear communication of a fair downsizing plan. For retained personnel, the adjustment to the restructured or smaller organization may be facilitated by counseling, training, and good communications. Regardless of the design of the downsizing plan, the management of the reduction-in-force should be proactive in order to minimize the effects of rumor, uncertainty, negative attitudes, poor performance behaviors, and employee insecurity.

With organizational experiences in downsizing as background, the history of U.S. Army demobilizations was briefly examined. This historical review indicated little evidence of proactive planning for the discharge of Army personnel following armed conflicts. Demobilization plans were difficult to design because most officers were preoccupied with the combat effort; many conflicts ended unexpectedly, leaving little time for planning; and desired end-strengths after the conflicts were unclear. The implementation of demobilization plans suffered from lack of clear communications at all ranks, inconsistency of implementation, public pressures for quick demobilizations, and changes to plans that resulted in confusion, uncertainty, and resentment.

Lessons learned from past demobilizations of Army personnel can help temper consideration of the current reduction-in-force. However,

there is one critical aspect of the current situation that makes it unique relative to previous demobilizations. The all-volunteer Army is confronted with downsizing personnel who have affirmed careers in the Army. All past demobilizations were primarily concerned with the separation of volunteers or draftees who joined the Army in order to defend this country during armed conflicts. Thus, all past demobilizations involved the separation of personnel who were generally eager to return to civilian status. In contrast, the current force was not drafted, was not recruited for a specific conflict, and by and large, is not eager to establish civilian careers. The current build-down is unique because relatively large numbers of Army personnel will be separated prior to the time they had anticipated. General recommendations for the overall build-down strategy are discussed below.

Build-Down Goals Related to National Objectives

U.S. Public Law 101-510 (1990), cited as the "National Defense Authorization Act for Fiscal Year 1991," establishes numerical personnel goals for the Army to achieve by 1995. These goals apply to the total Army end-strength, including Army general officers, Army National Guard, and Army Reserve, as well as the size of the entering class to the service academy (USMA). These goals may be subject to modification based upon Operation Desert Storm, future military conflicts, or revised military projections and goals. Regardless of the exact numerical goals, the build-down strategy must complement the Army's basic mission "...to deter any attack upon U.S. national interests and, if deterrence fails, to engage and defeat any enemy in any environment" (Anderson, 1985, p. ii).

In order to accomplish this mission, the Army may adopt the concept of "flexible readiness," whereby the allocation of personnel and materials is based on four projections: (1) identification of likely military threats to the U.S., (2) anticipated length of time before potential hostilities are realized, (3) likelihood that particular military units would be used, and (4) ability to transport required military units to target locations. Thus, the build-down plan should be part of an overall strategy identifying end-strengths of specific military units that would maximize the Army's flexibility to meet a variety of military objectives. Such an overall strategy will be referred to as the "overall personnel plan" for these recommendations. This personnel plan will dictate the shape of the reduced force and help identify specific targets of the downsizing. Once the personnel plan has been designed and the downsizing targets are identified, the next issue would be the selection and sequencing of downsizing strategies in an effort to maintain the morale and readiness of survivors, provide humane treatment for separated

personnel, and maintain the effectiveness of the organization. Transition management of the build-down with appropriate interventions provide an adjunct to this process of managing the force build-down to minimize potentially negative impacts on the Army and all affected personnel.

Inherent in this plan should be a strategy to use less intrusive methods before more intrusive methods are implemented (Greenhalgh et al., 1988). Less intrusive methods help achieve end-strength goals by implementing downsizing strategies that are not threatening to current personnel. They include strategies to limit the number of people entering the Army as well as encouraging current personnel to retire or voluntarily separate from the service. In contrast, more intrusive methods are less likely to be favorably received by current personnel and generally consist of involuntary separations. The implementation of the more intrusive methods will raise special concerns not only for the separated personnel, but also for retained personnel and the Army as a whole.

Recommended Strategies for Meeting End-Strength Goals

Less Intrusive Strategies

Proactive Reduction Strategies

Natural attrition. Approximately 100,000 - 120,000 people leave the Army every year for a wide variety of reasons. Natural attrition involves personnel who leave the organization without any incentives or special programs to encourage this action. It includes personnel who leave the service to establish new careers in the civilian sector, as well as those who have completed an Army career and retire. It also includes personnel who have been terminated or discharged for performance reasons. The rate of natural attrition is influenced by organizational factors, such as future career opportunities in the Army; individual factors, such as commitment to the organization; as well as environmental factors, such as the availability of jobs outside the organization. Natural attrition will be higher when people perceive better career opportunities outside their current organization.

In the case of relatively large personnel flows, the base rate for attrition can be quite stable. This provides a foundation for predicting attrition rates (Fisher et al., 1990). However, attrition rates can be affected by environmental and organizational factors that may operate in concert or opposition. Two issues are relevant in the current context: (1) the success of Operation Desert Storm and (2) the build-down itself. The extent to which Operation Desert Storm may

affect near-term (e.g., the next five years) attrition rates should be considered. The exceptional success of Operation Desert Storm may encourage many individuals, who might otherwise have separated, to remain in the Army. Likewise, perceptions of the build-down process should be monitored. The build-down is associated with perceptions of limited career opportunities in the future (Elig & Martell, 1990). Thus, the plan itself may increase attrition beyond anticipated levels. Unfortunately, this sort of attrition is more likely to occur among those individuals with the highest levels of ability and skills -- people the Army must retain to meet its mission requirements.

Reducing numbers entering the Army. In compliance with Public Law 101-510, the number of student military loans for ROTC programs and the number of admissions into USMA will be reduced to control the number of newly commissioned officers during the next five years. Reducing the entering classes of new students may necessitate a closer examination of current admission standards to these programs. In order to maximize the quality of a smaller cohort of students, valid predictors must be utilized to select the best qualified applicants. In addition to fewer students entering ROTC and USMA, the number of other accessions to officer ranks (i.e., direct appointments) and the number of recruits entering the Army should also be carefully managed according to the overall personnel plan. However, it should be noted that the Army must still aggressively recruit for personnel that are currently in personnel shortages and who are in high demand according to the overall personnel plan. The influx of new personnel and the maintenance of the recruitment system are required even in a downsizing phase.

Maximize the number of voluntary separations and retirements. Based on an overall personnel plan, some positions within the Army may be protected from downsizing efforts. Medical personnel, chaplains, specialized professionals (e.g., attorneys) and other personnel in current personnel shortages would not be targeted for reductions and are identified here as "protected personnel." Likewise, personnel in positions that are overstaffed or are not essential to the overall personnel plan are identified here as "unprotected personnel" and are likely candidates or targets for downsizing efforts.

For the unprotected personnel, a beginning strategy would be to identify those who are interested in civilian careers and would be willing to voluntarily separate from the Army. Unlike natural attrition, the number associated with voluntary separations would be directly influenced by the management of the build-down plan and any incentives offered to encourage voluntary separations. It may be necessary to analyze the effects of Operation Desert Storm on re-

131

enlistment figures and voluntary separation rates. Those people who decide to leave the Army should be provided with counseling for themselves and their spouses in order to find new jobs and to adjust to civilian lifestyles (Seibert & Seibert, 1989). If incentives are provided to encourage people to leave voluntarily, caution must be exercised to avoid incentives that are too attractive and deplete units of valuable personnel. This may be managed through an incremental strategy. Relatively narrow incentive "windows" may be offered in sequence. Voluntary separations generated by each offering are then used to plan the subsequent window until the target goal is achieved.

An identification of unprotected personnel who are interested in early retirement should also be made to maximize these attrition rates over the next five years. Like voluntary separations, the number associated with early retirements would be directly influenced by the management of the build-down plan and the incentives offered for early retirement. The Selective Early Retirement Boards must be carefully managed in order to ensure a fair process that balances individual requests for early retirement and the personnel needs from the overall personnel plan.

## More Intrusive Strategies

### Proactive Reduction Strategies

Retraining and job redesign. A potential outcome from a force reduction may be a re-examination of how jobs are currently structured. If the overall personnel plan can increase the flexible readiness of the force by combining jobs or by restructuring jobs, certain positions become targets for job redesign. If new tasks are assigned to jobs, the need for new or modified training programs may also become an issue. Thus, job changes and training for these positions should be jointly considered as the composition of the force changes. Furthermore, the impact of any job changes on the morale and efficiency of a military unit should also be assessed.

Involuntary separations. In accordance with Public Law 101-510, involuntary separations are limited to Army personnel who are serving on active duty, or who are full-time in the National Guard, have six or more years of active service, and are not immediately eligible for retirement. The identification of unprotected personnel for involuntary separation may be based on a number of individual criteria. Among the criteria to consider are: (1) qualifications and the demand for these qualifications according to the overall personnel plan, (2) performance records, (3) special experiences valued by the Army (e.g., combat experience, special training), (4) potential

132

constraining effects of factors on the flexible readiness of the force
(e.g., single parent status), and (5) motivation and career commitment
to the Army. While these criteria impact on the decision affecting a
single individual, other criteria may be considered that may impact on
the overall demographics of the retained personnel. For example,
concern over the numbers of women and minorities in the Army may
influence decision strategies.

In order to minimize the amount of disruption and uncertainty
that may be associated with the build-down plan, decisions regarding
involuntary separations of officers should be made by cohorts. This
strategy will apply the reduction-in-force to each year group (officer
cohorts are distinguished by year of commission) only once during the
five years of the build-down. Thus, an officer who is retained after
the reduction has been applied to the cohort would not be subjected to
another possibility of being involuntarily separated. This strategy
may help minimize the impact of the build-down on perceptions of
future career and promotion opportunities. Clear communication of
this strategy will allow retained personnel to concentrate on their
work as opposed to worrying about their job security (Brockner, 1988;
Cameron et al., 1987).

## Flexibility of Reduction Strategies

Proactive strategies, by definition, are based on assumptions
that are founded on forecasts and anticipation of the future. Changes
in the parameters of forecasts or unanticipated constraints may
require modification of downsizing strategies. Congressional or
public pressures to modify the overall personnel plan may necessitate
changes in planned strategies. Potential scenarios that may demand
changes are difficult to project. Local officials may persuade a
slowdown in the closing of a military base; minority groups may
pressure for a change in the selection process for involuntary
separations; changing end-strength goals may alter the status of
specific jobs or military units from protected to unprotected, or vice
versa. Since the nature of the situation is critical in the design
and implementation of a downsizing strategy, the recommendation that
can be made here is that the planners of the build-down must be
flexible themselves, in order to best anticipate and accommodate
uncontrollable events.

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Recommended Strategies for Build-Down
Transition Management and Intervention Processes

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The strategies recommended for meeting end-strength goals consist
of natural attrition, reducing the number of new entrants into the
Army, increasing the number of voluntary separations and early

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133

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retirements, redesigning jobs and training for these jobs, and using, as a last resort, involuntary separations. The outcomes from these strategies will not only affect the individual and the Army, but will influence how civilian job markets will absorb discharged personnel and how the U.S. public and government branches perceive Army personnel management policies. The types of intervention processes utilized to help manage downsizing will be critical factors to aid the build-down process and to minimize negative outcomes from the reduction-in-force. The intervention processes are discussed in three sections: (1) recommendations to help discharged personnel, (2) recommendations to help retained personnel, and (3) organizational recommendations to the Army.

## Intervention Processes for Discharged Personnel

### Financial Incentives and Benefits

Separation pay and extended benefits can help ease an involuntary separation by providing a support package to those who are terminated. Recent improvements in separation pay and benefit policies are described in Public Law 101-510. Separation pay provides short-term financial security while the individual searches for another job. Extended benefits, particularly medical coverage, help reduce additional stress on the family during the transition period. In addition, separation pay and benefits help the Army maintain a positive image by caring for those who were honorably discharged in order to meet end-strength goals.

### Counseling

As described in the Interventions section, counseling can take many forms ranging from psychological counseling to career counseling. Psychological counseling may be considered first because it can help prepare the individual to better accept career counseling (Fulmer & Fryman, 1985; Rundle & DeBlassie, 1981). In addition, counseling may be extended to the spouse in order to help the entire family unit cope with the transition to civilian life.

Special career counseling programs may be designed for particular groups of discharged personnel. For officers, counseling programs may be geared for an older group of people who are interested in managerial or professional careers, or who may be interested in starting their own businesses. People in their 40's or 50's may also require special psychological counseling because the loss of an expected career in the Army may engender a more difficult adjustment. Financial burdens from college-eligible children may also exacerbate the emotional trauma of job loss. Finally, the loss of officer status

may complicate the involuntary separations of officers. Counseling programs designed to address this issue may be warranted.

Special career counseling programs may also be designed for Army personnel who have skills that do not readily transfer to civilian careers. These programs should focus on identifying appropriate career choices for particular individuals and/or discovering how attained Army skills may be applied to certain civilian jobs. In cases where Army skills are not directly applicable to civilian jobs, the individual may be counseled to enter training or educational programs to develop more marketable skills.

## Outplacement

Once discharged personnel have accepted their situation and are psychologically ready to prepare for civilian careers, outplacement services can help locate suitable employment for these people. Outplacement services range from job fairs to aggressive search firms that identify job leads and prepare people for employment interviews. Organizations familiar with the Army (e.g., government agencies, defense industry contractors, etc.) may be likely employers of former Army personnel. Contacts with these organizations may emphasize the unique talents and contributions the applicants possess over non-military job applicants. Although relationships with organizations that work closely with the Army are desirable, outplacement services should be extended to a wide variety of organizations in order to maximize the number of placements.

## Job Training Assistance

An important component of outplacement services involves training displaced personnel to conduct fruitful job searches. Lessons on résumé preparation and training for effective interviewing are typical features of successful outplacement services. In addition, job training programs can help personnel prepare for new careers by teaching the skills that are needed in the civilian job market. However, the costs associated with the design and implementation of a training program should be weighed against providing financial assistance for educational programs and established vocational or technical training programs.

## Educational Opportunities

Many separated personnel may decide to pursue an advanced education instead of full-time civilian employment. Opportunities to enroll in educational financial assistance programs (e.g., Montgomery GI Bill) should be clearly communicated to them. Positive benefits of

135

educational opportunities are twofold: (1) they offer an attractive
alternative to limited full-time employment opportunities in the
current job market and (2) they relieve the burden of finding
employment for displaced personnel through outplacement services.

Information about educational opportunities should be presented
within a general counseling intervention process in order to avoid
placing unqualified or uninterested people in higher educational
programs. Educational fairs incorporate a number of college and
university recruiters to allow an opportunity for interested
prospective students to complete applications for admission. These
events may be coordinated with job fairs in order to provide
opportunities for both options.

## Communications

All personnel should understand how the overall personnel plan
will be used to design and implement the build-down plan.
Specifically, there should be frequent and clear communications of
incentives for voluntary separations and early retirements.
Similarly, complete and accurate communications about the criteria
used to make involuntary separation decisions are essential. The
process should be perceived as fair and equitable in order to minimize
negative attitudes that may result from the force reduction.

Separation decisions must be managed and communicated in a
procedure that conveys the decision directly to affected individuals,
with respect and compassion. Such a procedure might begin with a
communications program for all officers who are responsible for
delivering build-down decisions. Full knowledge about the benefits
and interventions available to discharged personnel would minimize the
amount of uncertainty for the individual facing an involuntary
separation.

The communication process for separated personnel must be
integrated with an overall communications strategy. How the build-
down is presented to retained personnel, to other government branches,
to the press, and the general public may also impact on discharged
personnel. Thus, additional recommendations regarding communication
interventions are also presented in sections for retained personnel
and organizational concerns.

## Intervention Processes for Retained Personnel

### Counseling

For retained personnel, counseling programs may be designed to serve two purposes: (1) psychological counseling may be offered to personnel who are troubled by the force reduction and (2) career counseling may be offered to help the retained personnel understand what their career options and opportunities will be in the downsized Army. With regard to psychological counseling, survivors of downsizing often feel depressed or guilty about the loss of many coworkers. These reactions, if not resolved, may promote performance or morale problems. Psychological counseling for survivors can help maintain morale and productivity (Feldman, 1988a, 1988b).

With regard to career counseling, expectations about career and promotional opportunities should be communicated to retained personnel; they must have realistic career expectations. Maintenance of the career motivation of talented Army personnel will be a critical intervention activity. Along similar lines, the career expectations and developmental experiences must be clearly communicated to new personnel entering the Army. New recruits will differ from the survivors of the reduction-in-force because they are less likely to experience the uncertainty and job insecurity that the process of involuntary separations invariably produces. Their counseling needs are focused only on career counseling.

### Communications

All personnel should understand how the overall personnel plan will be used to design and implement the build-down strategy. Clear communications to retained personnel are as essential as they are to discharged personnel. Specifically, there should be frequent, complete, and accurate communication of the incentives for voluntary separations and early retirements, as well as the criteria used to make involuntary separation decisions. The process should be perceived as a fair system in order to minimize negative attitudes that may result from the build-down implementation. General announcements should focus on personnel who will be retained, whereas notice of separation should be personal and private. To prevent retained personnel from feeling insecure about their careers, the plan to impact a particular cohort only once during the five-year plan should be clearly communicated.

## Organizational Concerns

### Demographic Concerns and Communications

Demographic issues related to the build-down strategy will most likely concern women and minority groups. These groups are concentrated in positions that are likely to be identified as unprotected personnel for the reduction-in-force, thus a disproportionate number of these people may be involuntarily separated. Although this outcome may be consistent with the overall personnel plan and the build-down strategy, it may lead to unfounded suggestions of racial or gender discrimination. The media have already reported that minorities were disproportionately represented in the Operation Desert Storm deployment. Moreover, such reports have been relatively insensitive to the roles played by minorities (e.g., Combat Services Support vs. Combat Arms) in the deployment (e.g., MacNeil-Lehrer News Report, March 25, 1991). If minorities and women are disproportionately represented in the build-down, it is likely that press reports will present incomplete information and interpret the outcome negatively.

In order to minimize potential problems associated with these issues, two general interventions are recommended. The first intervention pertains to the management of the build-down and its impact on specific groups. The second intervention pertains to the communication of the effects of the build-down to the press, other government branches, and the general public. These two interventions should be managed in concert, supporting one another for maximum impact.

With regard to the first intervention, the separation rates of women and minority groups should be closely monitored throughout the entire downsizing process. The Army should ensure that the selection process for involuntary separations is fair. In addition, if different Army branches have different proportions of men/women or majority/minority personnel, the involuntary separation rates for each group should be calculated for each branch as opposed to the Army as a whole. If it can be demonstrated that within a particular branch, proportional numbers of men/women or majority/minority personnel are separated, the results may be perceived as acceptable. This strategy would require close monitoring and attention to the separation rates of different groups.

The second intervention concerns communicating the effects of the build-down to external constituencies. Communications with the media must be sensitive to the public concern over potential discriminatory personnel practices. Regardless of the actual involuntary separation

rates of women and minorities, there may be a perception that discriminatory practices are being utilized. Thus, an effective communications campaign about the build-down in general and its effects on women and minorities may be a constructive action toward minimizing rumors and buffering negative outcomes.

## Organizational Efficiency and Effectiveness

A well managed downsizing plan will maximize efficiency and minimize any loss in the Army's capability to execute its mission. Assuming that the overall personnel plan adequately identifies the required personnel to best meet future military needs, the implementation of the plan through a downsizing strategy will contribute to efficiency and effectiveness. The cost savings from personnel reductions should far exceed costs associated with downsizing benefits and services. Furthermore, the planning process required to design an overall personnel plan and the specific build-down plan necessitates a careful organizational analysis that could lead to improvements in both organizational efficiency and effectiveness.

Army overall effectiveness is not only measured in terms of how well it responds to current military needs, but also in terms of how quickly it can mobilize to meet anticipated needs. Mobilizations for specific military operations have historically involved the activation of reserve personnel as well as increased efforts to recruit new personnel. The manner in which the current build-down is implemented may have a profound effect on the willingness of Army alumni to return to duty. Ensuring that all involuntary separations are handled with consideration and respect can minimize negative attitudes and maximize motivation to return to the Army when situations warrant an expansion of personnel.

## Unexpected Costs

Unexpected costs of a build-down strategy are generally linked with unforeseen outcomes of downsizing plans. When too many people decide to retire early, or when too many people with certain skills leave voluntarily, end-strength goals may be exceeded and personnel shortages result (Kuzmits & Sussman, 1988). In this situation, added costs occur when the Army pays out the incentives to discharged personnel and incurs costs associated with hiring their replacements. These costs may be minimized by controlling the length of time in which early retirements or voluntary separations may be taken (Seibert & Seibert, 1989). A smaller window of opportunity for these actions will yield fewer voluntary separations. Moreover, a series of carefully controlled opportunities may be offered as part of an

incremental strategy designed to optimize end-strength targets for
personnel with specific skills.

Another type of unexpected cost occurs when high numbers of
displaced personnel extensively use benefits and resources available
to them.  Intensive psychological counseling, higher medical costs,
and prolonged job searches are a few examples where anticipated costs
of these services may be underestimated.  These costs should be
monitored, and changes may be considered in order to increase the
efficiency of these benefits and services.

Organizational Image and Communications

It must be recognized that a build-down strategy will be visible
to the press, government branches, and the public.  The management of
the build-down will help shape public perceptions of the Army image.
This image will not only affect how the displaced personnel present
the Army to the general public, but it will also affect the commitment
level of retained personnel.  Furthermore, the Army build-down will
coincide with the downsizing of all other military branches, making
comparisons among the services inevitable.  Thus, the Army should
utilize interventions that minimize the impact of the build-down, as
well as make effective use of communication channels to maintain a
positive image.

Summary

The basic aspects of an effectively managed downsizing plan
include:  (1) the extent to which an overall personnel plan accurately
forecasts future military needs, (2) the accuracy of the downsizing
plan to identify downsizing targets in compliance with the overall
personnel plan, (3) the ability of downsizing strategies to meet
desired end-strengths, and (4) how the intervention processes can
facilitate reduction-in-force strategies.  A plan to build down the
force must be designed within a larger analysis of the numbers and
types of personnel necessary to carry out the Army's mission.
Objective factors related to an overall personnel plan are the end-
strength goals for the Army, as specified in U.S. Public Law 101-510.

Weitzel and Jonsson's (1989) model of organizational adaptation
was used to illustrate the inverse relationship between proaction and
degree of ineffectiveness encountered during retrenchment.  As an
organization enters a period of retrenchment, proactive strategies may
be implemented to reverse retrenchment or to effectively manage it.
Proactive forms of adaptation consider long-term organizational goals
and how downsizing can help achieve those goals.  If the organization
does not react to the environmental factors that signal retrenchment,

140

it becomes more and more difficult to adapt proactively.  Reactive
forms of adaptation typically do not allow much time for careful
planning and often center on short-term fixes with little or no regard
to overall organizational goals.

Proactive downsizing strategies should begin with less intrusive
methods that limit the number of newcomers or that allow current
personnel to make voluntary decisions.  Restricting the number of
officer accessions and decreasing the number of new recruits will
require a closer look at those selection processes in order to ensure
that the best qualified still join the Army.  In addition, promoting
voluntary separations and early retirements will increase the
attrition rates and assist build-down goals.

In addition to these less intrusive methods are more intrusive
methods that are imposed on current personnel.  Job redesign and
training efforts may be used to maximize the flexible readiness of
certain units.  Involuntary separations should be the last strategy
used to meet end-strength goals.  The criteria for these decisions
must be clearly communicated and managed in a fair way in order to
alleviate negative attitudes and feelings of uncertainty.

Before these strategies are implemented, appropriate intervention
processes to help manage the build-down strategy should be in place.
All personnel should be familiar with the incentives, benefits, and
services provided to those who will leave the Army as well as those
who will remain.  For the separated personnel, the decisions about an
involuntary separation should be clearly communicated with respect and
compassion for that individual.  In addition, the services offered to
displaced personnel should be directed toward their adjustment to a
civilian lifestyle.  Services should be extended to family members in
order to maximize the support resources for the displaced individual's
adjustment.

For the retained personnel, counseling may be provided to help
them cope with the downsizing process and to clearly communicate what
their career options and opportunities are in the downsized Army.  For
the Army itself, careful monitoring of the build-down plan and its
outcomes should be made in order to guard against charges of unfair
personnel practices and in order to make modifications, should
unexpected costs arise.  Finally, the downsizing process should be
recognized as a topic that may be of high interest to other government
branches, Congress, the press, and the general public.  Recognition of
sensitive communication issues and the preparation of an effective
communication campaign to all media can help buffer anticipated
negative outcomes of the build-down.

From the perspective of the organizational literature, the need to downsize an organization is viewed as a natural phase of organizational life cycles. Just as there are periods of growth for organizations to meet new demands, there are also periods of retrenchment to adjust to changing environments. Perhaps nowhere else but the military is this process most evident. Lessons learned from previous demobilizations have highlighted the need to be proactive in planning a reduction-in-force and to integrate the downsizing plan with a comprehensive personnel strategy. Combined with the use of transition and intervention processes to facilitate the build-down, the downsizing of the Army may be implemented to build an effective and efficient military force.

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178

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